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PROCESSING RR LOAN (INCLUDING RENEWALS) AND GRANT SUBMISSIONS REGIONAL OFFICE ROUTINE

I **GENERAL:** This instruction prescribes the method by which all RR loans (including renewals) to RR clients, RP occupants, and TP borrowers (including development loans, and community and cooperative services loans to individuals); and all grant submissions will be received, examined, approved or rejected, and payments certified in the regional offices. It is designed to describe all of the necessary operations and to eliminate duplicate operations by the various regional divisions, and sections and units thereof.

II ROUTINE FOR EXAMINATION AND APPROVAL OF LOAN APPLICATIONS AND LOAN RENEWALS AND CERTIFICATION OF LOAN PAYMENTS: (SEE EXHIBITS A AND B)

A The following types of loan submissions will be received in the regional offices:

- 1 Initial loan applications.
- 2 Subsequent or supplemental loan applications not accompanied by renewal notes
- 3 Renewal notes not accompanied by supplemental loan applications
- 4 Supplemental loan applications accompanied by renewal notes

B The regional Mail and Files section (BM) will open and date stamp all loan submissions (except notes, vouchers and security instruments) and forward all papers pertaining thereto to the Client File unit.

C The Client File unit (BM) will:

1 Maintain a daily record of the number of loan applications received and the number of renewal notes received. Resubmissions will be counted as if they were first submissions. (This information will be furnished to the regional FC manager for the preparation of Form FSA RR 49, "Report of Rural Rehabilitation and Resettlement Loans and Grants" See FSA Instruction 409 2)

2 Make certain that all submissions bear a case number. (This does not mean checking the correctness of the case number if it has been inserted by the county or project office and does not in any instance include the suffix number) If a case number is not shown on the submission and it is found that a case number was previously assigned to the family unit, that case number will be placed on the Check Sheet. If it is found that a change of address has occurred, the new address will be placed on the Check Sheet and a mark (x) will be placed in the space provided to indicate that the address given is different from the one on record. This will serve as a notification to the regional Loan and Collection section to institute change of address proceedings. The client's previous folder, if any, will be charged out and attached to each loan submission. If an FSA case number has not been previously assigned to the family unit, an FSA case number will be assigned. The new case will be recorded on Form FSA BM 159, "Client Register", and the case number will be stamped on all documents of the submission. A client file folder will be prepared with the suffix block impression thereon and the submission will be forwarded in it. At the same time, Form FSA BM 156, "Folder Out Card", will be prepared and inserted in the client file to indicate the receipt of the submission.

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3 Prepare, in triplicate, and attach to each loan submission, Form FSA RR 191, Rev , "Loan Submission Check Sheet", or the regional equivalent. If it is desired that a regional check sheet form be used, the form must be approved by the Administrator. In preparing the Check Sheet, the following information will be inserted: Case number, date the submission was received in the regional office, client's name and current address, name of spouse, and the county RR supervisor's or community manager's name and address. (The regional director may instruct the district, county or project offices to prepare the Check Sheet and include it with the other papers of the loan docket. When this method is used, the district, county or project offices must typewrite all of the above information except the date the submission was received in the regional office. They will also insert the unpaid balance of the client's account, amount of the new loan application, and total of the two amounts where applicable.)

4 Forward the submission to the Mechanical Examining subunit, in the Audit unit of the Voucher and Review section (FC).

D The Mechanical Examining subunit (FC) will:

1 Make a complete examination of all entries and signatures on Form FSA-FI 5, "Public Voucher Farm Security Administration Loan", and indicate the type of loan, payment and submission in the spaces provided on the Check Sheet.

2 Make a complete examination of signatures and entries on the face of Form FSA RR 15, "Loan Agreement and Request for Funds", for RR loans (cash or kind) or on Form FSA-LE 172, "Loan Agreement and Request for Funds", for RP development loans.

3 Make a complete examination of Form FSA-LE 31.____ or 173, "Promissory Note", and Form FSA-LE 124 ____ , "Renewal Promissory Note", (except correctness of the principal and interest amounts on Form FSA-LE 124.____).

4 Determine whether Form FSA-FI 5 is in accordance with the Loan Agreements and the Note

5 Check the correctness of the state, county, and case numbers on all papers of the submission by comparison with the client file folder and papers in the client file folder covering previous transactions. Assign the suffix number and place it on all copies of the Voucher, the Loan Agreement, Note, Renewal Note, Check Sheet, and the suffix block on the folder. In instances where a copy of the most recent bill is necessary to assign the suffix, it may be requisitioned from the General Services unit (RR).

6 If the Voucher, Loan Agreement, and Note and Renewal Note, if any, are found to be correct initial the Voucher, Renewal Note, and Check Sheet.

7 If errors are found on the Voucher, Loan Agreement, Note or Renewal Note, initial only those found to be correct, and indicate the errors on and initial the Check Sheet.

8 Transmit all loan submissions to the General Services unit.

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E The General Services unit (RR) will:

1 For loan submissions that include Renewal Notes, (except for project cases) set the preliminary signal (Blue in the 14th position) on Form FSA RR 142, "Servicing History", attach the copy of the bill to the submission, and forward it to the Collection and Securities unit of the regional Loan and Collection section

2 For loan submissions that include loans in kind, attach the copy of the bill, if any, and forward the submission to the Collection and Securities unit of the regional Loan and Collection section

3 For loan submissions that do not include Renewal Notes or loans in kind, attach the copy of the bill, if any, and forward the submission to the Loan and Renewal Approval unit of the regional Loan and Collection section.

Note: In regions where the locations of the Client File unit (BM) and General Services unit (RR) permit, the following alternative routing may be used: Loan submissions may be routed to the General Services unit by the regional Mail and Files section prior to the attaching of the file folders; the General Services unit will attach the copy of the bill, if any; set the preliminary signal on Form FSA-RR 142; and forward the submissions to the Client File unit where the folder will be attached and the submission forwarded to the Mechanical Examining subunit (FC). After examination, submissions which include Renewal Notes or loans in kind, will be forwarded to the Collection and Securities unit (RR) and submissions which do not include Renewal Notes or loans in kind will be forwarded to the Loan and Renewal Approval unit (RR).

F The Collection and Securities unit (RR) will:

1 For loan submissions which include Renewal Notes, consider the renewal action and, from the standpoint of collection of the account and the ultimate rehabilitation of the family, recommend the approval or rejection of the renewal. (See FSA Instruction 763.2.) Indicate the recommendation on the Check Sheet and initial it.

2 For renewal actions which are not supported by a Farm Plan, handle in accordance with FSA instruction 763.2.

3 For applications for loans in kind, compare the items in kind as shown on the Loan Agreement with the inventory records on Treasury Form No. A-26, "Advice of Mortgaged Charters Acquired", and indicate errors found on the Check Sheet.

4 Transmit the submissions to the Loan and Renewal Approval unit of the regional Loan and Collection section

G In the Loan and Renewal Approval unit (RR):

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II G 1 (cont.)

a Check Form FSA RR 14, "Farm and Home Management Plan", for errors in extensions or totals and make the necessary comparison of entries in such manner as is prescribed by the regional Farm Management adviser.

b Make the necessary comparison between Form FSA RR 14 and the entries on the reverse side of Form FSA RR 15 or Form FSA LE 172.

c Check and compare the total of the entries on the reverse side with the amount of the loan shown on the face of Form FSA RR 15 or Form FSA LE 172, as the case may be

d Insert on the Check Sheet the unpaid balance of the client's account, amount of the new loan application, and the total of the two amounts, if this information has not been inserted by the county, project, or district office

e Indicate on the Check Sheet any errors found, initial the Check Sheet, and transmit the submission to the regional loan approval adviser

2 The regional loan approval adviser will:

a Examine Form FSA RR 12, "Application for Rehabilitation", and Form FSA RR 14 in accordance with standards established by the regional Farm Management adviser and Form FSA RR 14a, "Home Section", in accordance with standards established by the regional chief of Home Management, and Form FSA RR 89, "Farm Debt Adjustment Individual Case Reports", in accordance with standards established by the chief of the regional Farm Debt Adjustment section.

b Indicate approval of the Farm and Home Plan, or disapproval and reasons for disapproval, on the Check Sheet.

c Examine all applications on Form FSA-RR 23, "Community and Cooperative Services Application". Except in accordance with the mutual agreement between the chiefs of the regional Loan and Collection and Community and Cooperative Services sections, such applications will be referred to the Community and Cooperative Services sections for recommendations.

d Determine whether the items listed on the reverse side of the Loan Agreement conform with the loan purposes authorized. Consult the list of acquired property furnished by the Collection and Securities unit, to determine whether any item to be purchased is in inventory. If so, consideration will be given to substituting a loan in kind for the cash item.

e Determine whether the client is eligible.

f Examine the repayment schedule for adherence to FSA requirements and the client's ability to meet the payments as scheduled.

g Indicate on the Check Sheet all of the conditions to be met upon the closing of the loan, the acceptance of the Renewal Note, or both, including security requirements, and debt adjustment when necessary

II G 2 (cont.)

h Approve loans, within the limits of his authority, by signing the Voucher, Loan Agreement and the Check Sheet upon which approval of the loan has been indicated, and renewals by signing the Check Sheet upon which approval of the renewal has been indicated. Reject loans, renewals, or both, within the limits of his authority, by indicating rejection and the reasons therefor on the Check Sheet, and signing it. (Exhibit D sets forth the authorization of the regional officials to approve loans. For RR loans to RP occupants, the regional Loan and Collection section will mechanically examine the submission, recommend approval or rejection of the loan or renewal, and transmit it to the assistant regional director in charge of RP for final recommendations. The regional Loan and Collection section will then approve or reject the loan or renewal in accordance with the recommendation of the assistant regional director in charge of RP.)

i Indicate by means of a check (✓) mark and initials on the lines provided on the Check Sheet all submissions that have to be returned to the local office for correction.

j Recommend the approval or rejection of loans, renewals or both, which exceed the limits of his authority, by signing the Check Sheet with appropriate comments. (Also indicating on the Check Sheet the officer authorized to finally approve or reject.)

k For renewals that have been approved, stamp the copy of the Renewal Note, "This is a true copy of a note which has been executed and accepted as a renewal of the unpaid balance of principal and accrued interest of the notes described on the reverse side. The accounting section is hereby authorized to adjust the accounts in accordance therewith", and sign the stamped statement.

l Transmit to the regional repair and action clerk all submissions, including those that have been approved, rejected, recommended for approval or rejection, or to be returned to the local office for correction.

3 The regional repair and action clerk will:

a For loan submissions, the approval of which exceeds the authority of the regional loan approval adviser, route them to the officer indicated on the Check Sheet. After approval or rejection by the proper officer, the submission will be returned to the regional repair and action clerk.

b For loan submissions that have been approved, make all necessary corrections and have the Mechanical Examining subunit initial the Voucher or Renewal Note if it has not previously been initialed. Date and forward the original of the Check Sheet to the county or project office. Forward the second carbon copy of the Check Sheet to the General Services unit. Forward the original and four copies of the Voucher, the original and one copy of the Loan Agreement (the original and two copies of Loan Agreements which call for more than one advance), and the copy of the client's Note to the Voucher and Review section (FC). Forward the copy of the Renewal Note, if any, to the Accounting section (FC). Forward the file copies of the submission, the first carbon copy of the Check Sheet, the original of the note(s), and the original of the Renewal Note, if any, in the file folder to the Client File unit.

II G 3 (cont)

c For loan submissions that have been rejected or are to be returned to the county or project office for correction, forward the submission with the original of the Check Sheet to the local office. Forward the second carbon copy of the Check Sheet to the General Services unit and the first carbon copy of the Check Sheet and the file folder to the Client File unit. Maintain a daily record of (1) the number of loan applications and (2) the number of renewals rejected or returned for correction. (This information will be furnished to the regional FC manager for the preparation of Form FSA RR 49, "Report of Rural Rehabilitation and Resettlement Loans and Grants". See FSA Instruction 409.2.)

H The Voucher and Review section (FC) will:

1 For RR loans to RR clients, RP occupants, or TP borrowers, sort by states and types and prepare and check in this order the schedules of only the vouchers which bear the initials of an appropriate person in the Mechanical Examining subunit and the signature of an official authorized to approve loans. (See Exhibit D)

2 Stamp the appropriation number and code symbols on Form FSA Fl 5. Stamp the third "memorandum" copy "Copy for the FSA Regional Office", and the fourth "memorandum" copy "Copy for the FSA County RR Supervisor", or "Copy for the FSA Community Manager", whichever is appropriate.

3 Certify Vouchers and Schedules.

4 Transmit the original and four copies of the Voucher, the original and one copy of the Loan Agreement (the original and two copies of Loan Agreements which call for more than one advance, the original and six copies of the Schedule, and the copy of the note to the Accounting section (FC).

5 Forward one copy of the Schedule to the Client File unit to be held in suspense pending receipt of the copies of the paid Vouchers and Schedules from the Accounting section.

I The Accounting section (FC) will:

1 Upon receipt of the copies of the Voucher, Loan Agreement, Schedule and Note, make the necessary entries on the accounting records, retain one copy of the Loan Agreement, the Note, and the Schedule and forward all of the other papers to the proper U. S. Treasury Office.

2 Upon receipt of the copy of the accepted Renewal Note from the regional repair and action clerk, examine it as to correctness of the principal and accrued interest amounts. (This examination will not have been previously made and will be the sole responsibility of the Accounting section.) If the Note is found to be correct, the necessary entries will be made on the client's account and a statement of account will be prepared and transmitted, one copy to the General Services unit for loans to RR clients and TP borrowers and one copy to the county office. For RR loans to RP occupants, one copy of the statement will be transmitted to the Real Property Control section of the regional RP Division and one copy for the project, to such person as may be designated by the assistant regional director in charge of RP. If the Note is found to be incorrect and not acceptable, it will be returned to the regional repair and action clerk for correction or return to the county or project office for correction.

II I (cont)

3 Maintain a record of the number of Renewal Notes accepted, for the preparation of Form FSA RR 49, "Report of Rural Rehabilitation and Resettlement Loans and Grants". (See FSA Instruction 409.2)

J The General Services unit (RR) will:

1 Upon receipt of the Check Sheet copy which indicates the approval of a loan, prepare Form FSA Gen 131, "Case Record Card". for new cases; post all loan approvals indicated on the Check Sheet to the Case Record Card; and set the appropriate signals. If the Check Sheet copy indicates conditions to be met upon the closing of the loan including security requirements, set a follow-up signal on Form FSA RR 142 (for RR loans to RR clients and TP borrowers) or Form FSA Gen 131 (for RR loans to RP occupants) for the date the closing instruments will be due in the regional office. Forward the Check Sheet copy to the proper district RR supervisor (for RR loans to RR clients and TP borrowers) or to such persons as may be designated by the assistant regional director in charge of RP (for RR loans to RP occupants).

2 Upon receipt of the copy of the Check Sheet which indicates the acceptance of a Renewal Note, post the acceptance to Form FSA Gen 131, and forward the Check Sheet copy to the district RR supervisor (for RR loans to RR clients and TP borrowers) or to such person as may be designated by the assistant regional director in charge of RP (for RR loans to RP occupants).

3 Upon receipt of the special statement of account for RR clients or TP borrowers from the Accounting section, which indicates the completion of the renewal of the client's account, make the necessary adjustment in the signals and set a Pink signal in the 14th position on the "Servicing History" card, remove the old statement of account from the pocket of the "Servicing History" card and insert the new statement. The notes that have been renewed will be indicated on the old statement and it will be transmitted to the Client File unit (BM) as a request for the forwarding of the renewed notes to the chief of the regional Loan and Collection section who will handle them in accordance with FSA Instruction 763.2.

4 Upon the receipt of the copy of the Check Sheet which indicates the disapproval of a Renewal Note, post the action, set the proper signal on Form FSA-RR 142, (except for RR loans to RP occupants) and forward the copy of the Check Sheet to the district RR supervisor (for RR loans to RR clients and TP borrowers) or to such person as may be designated by the assistant regional director in charge of RP (for RR loans to RP occupants).

K The Client File unit (BM) will:

1 Upon receipt of the client file folder containing the copy of the Check Sheet and Note(s) from the regional repair and action clerk, place the folder in the client file.

2 Upon receipt of the suspense copies of the Schedules from the Voucher and Review section, place them in numerical order in a suspense file.

3 Upon receipt of the copies of the paid Vouchers and Schedules (these will be the copies bearing the stamp of the Disbursing officer), which will be forwarded by the U. S. Treasury State

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Accounts office for the region through the Accounting section (FC), remove the suspense copy of the Schedule and compare it with the paid Schedule and Vouchers to make certain that copies of all Schedules and Vouchers are returned. If all copies of Vouchers listed on the Schedule are returned, the suspense copy of the Schedule may be destroyed and the paid copy will be filed by FSA schedule number. The Note covering loan payment will then be dated as of the date of the loan check as shown on the copy of the paid Voucher, at the same time as the paid Voucher is filed in the client's file folder.

III ROUTINE FOR EXAMINATION AND ACCEPTANCE OF SECURITY INSTRUMENTS, AND OTHER DOCUMENTS REQUIRED IN CONDITIONAL LOAN APPROVAL:

A The Client File unit (BM) will, upon receipt of the copy of the recorded security instrument or other documents from the county or project office after the closing of a loan or acceptance of a Renewal Note, charge out and attach thereto the client file folder and forward them to the Collection and Securities unit.

B The Collection and Securities unit (RR) will:

1 Upon receipt of the copy of the security instrument, the first carbon copy of the Check Sheet, the client file folder, and other documents, if any, examine the security to determine whether it is properly drawn and filed or recorded, and whether it and other instruments in force cover all of the client's property in accordance with the instructions given on the Check Sheet at the time the loan was approved or, in the case of security renewals, that the affidavit of renewal (if used) or new security is properly drawn and filed or recorded, and that all other conditions indicated for immediate attention have been met.

2 If the security instrument is not found to be acceptable and must be returned to the county or project office for correction and filing, or recording, forward the copy of the security instrument with appropriate instructions for correction to the local office and indicate on the copy of the Check Sheet the new follow-up date for the client record; forward the Check Sheet copy to the General Services unit; and forward the folder to the Client File unit.

3 If the examination discloses that the instruments are complete and acceptable, indicate on the Check Sheet copy, in the space provided, that the security follow-up signal is to be removed. At this time also indicate on the Check Sheet copy the dates of filing and expiration of the security instrument which will expire first, providing the file does not indicate that a security expiration signal has previously been established which is still correct. Forward the Check Sheet copy to the General Services unit and the copies of the security instruments and the folder to the Client File unit.

C The General Services unit (RR) will, upon receipt of the first carbon copy of the Check Sheet, remove the security follow-up signals on Form FSA-RR 142 (except for RR loans to RPO occupants, and set a new follow-up thereon for the receipt of additional or corrected security instruments, if this action is indicated, and set a new security expiration signal on Form FSA-Gen 131, if this action is indicated. Forward the Check Sheet copy and any attachment to the Client File unit.

D The Client File unit (BM) will:

III D (cont)

- 1 Upon receipt of the security instrument copy, folder, and other closing documents from the Collection and Securities unit, file them in the client file
- 2 Upon receipt of the first carbon copy of the Check Sheet from the General Services unit, file it in the client's folder

IV ROUTINE FOR FOLLOWING UP ON OUTSTANDING SECURITY INSTRUMENTS:

A The chief of the regional Loan and Collection section will advise the General Services unit as to the period which may elapse after issuance of the loan check or acceptance of a Renewal Note before outstanding security will be considered delinquent. This period will be used to establish the date that closing instruments will be due in the regional office in setting the follow up signal described in paragraph II J 1

B The General Services unit will trace delinquent security by preparing Form FSA-RR 132, "Tracer", and forwarding it to the county or project office.

V ROUTINE FOR EXAMINATION, APPROVAL, AND CERTIFICATION OF GRANT SUBMISSIONS; (SEE EXHIBIT . . .)

A The regional Mail and Files section (BM) will open all grant submissions and forward them to the Client File unit

B The Client File unit (BM) will:

- 1 Maintain a daily record of the number of vouchered grant payments received. (This information will be furnished to the regional FC manager for the preparation of Form FSA-RR 49, "Report of Rural Rehabilitation and Resettlement Loans and Grants." See FSA Instruction 409 2)

- 2 Make certain that each grant vouchered bears a case number. If a case number is not shown and it is found that a case number was previously assigned to the individual, that case number will be written in pencil on the Voucher. If a case number has not been previously assigned, an FSA case number will be assigned and stamped on the Form FSA-RR 59, "Three Months' Family Subsistence Budget", Form FSA-RR 14, "Farm and Home Management Plan", and Form FSA-RR 197, "Pledge of Cooperation", if any, and on all copies of the Voucher. The new case will be recorded in the client register and a "Folder Out Card" prepared and inserted in the client file.

- 3 Transmit the submissions to the General Services unit.

C The General Services unit (RR) will:

- 1 For human subsistence grants of thirty dollars (\$30) or less:

- a Verify the total of each Voucher, initial it, and insert any missing case numbers indicated in pencil by the Client File unit on all copies of the Voucher.

- b Post all grant voucher items of this type to Form FSA Gen 131 and, at the time of posting, check the name, case number, and address of each entry on the Voucher, the signature of the county RR supervisor or community manager, and make certain that the Voucher shows the

V C 1 b (cont.)

name and address of the county RR supervisor or community manager. If in the examination of the Voucher, it is positively determined that a grant indicated on the Voucher should not be made, that entry will be deleted and the total changed accordingly. Initial the Voucher

2 For human subsistence grants of more than thirty dollars (\$30):

a Forward the initial Vouchers with budgets attached, for this type of grant, to the person designated by the regional director, for approval or rejection of the budget.

b Post all approved Voucher items to Form FSA-Gen 131. If supported by a budget, the amount and the months covered by the budget will be posted above the line used for posting the the accompanying Voucher.

c Post all subsequent Vouchers for this type of grant for which there is a covering budget posting, deleting items not covered by a budget posting or reducing the amount of the grant in the instance where the Voucher amount exceeds the budget. (In all cases of reduction or deletion of Voucher amount, the accuracy of the client record posting will be checked against the budget in the client's file folder.)

d Verify the total of each Voucher, initial it, insert missing case numbers indicated in pencil by the Client File unit on all copies of the Voucher, check the name, case number, and address for each entry on the Voucher, and make certain that the Voucher shows the name and address of the county RR supervisor or community manager.

3 For grants for special purposes (grants for purposes other than human subsistence):

a Forward the Vouchers and supporting papers, if any, to the officer designated in accordance with FSA Instruction 741.1 for approval or rejection.

b Post all approved Voucher items to Form FSA-Gen 131 and at the time of posting check the name, case number and address for each entry on the Voucher and make certain that each grant payment in consideration of previous grants for the same purpose does not exceed the limits set forth in FSA Instruction 741.1. Make certain the Voucher shows the name and address of the county RR supervisor or community manager and that the Voucher has been signed by an officer authorized to approve special grants. Verify the total of each Voucher and initial it

4 Maintain a record of the number of grant payments rejected.

5 Forward the approved Vouchers to the Voucher and Review section and budgets to the Client File unit.

D The Voucher and Review section (FC) will:

1 Prepare and check Schedules of all grant Vouchers which bear the initials or signature of properly authorized persons in the General Services unit.

V D (cont)

2 Stamp appropriation number and code symbols on Form FSA-FI 58, "Public Voucher for Direct Relief, Stricken Agricultural Areas". The second "memorandum" copy will be stamped "Copy for the FSA Regional Office", and the third "memorandum" copy will be stamped "Copy for the FSA County RR Supervisor" or "Copy for the FSA Community Manager".

3 Certify Vouchers and Schedules.

4 Transmit the original and three copies of the Vouchers and the original and six copies of the Schedule to the Accounting section (FC) which will make the necessary accounting entries, retain one copy of the Schedule and forward the other papers to the proper U S Treasury office.

5 Forward one copy of the Schedule to the Client File unit to be held in suspense pending receipt of the paid copy of the Vouchers and Schedules which will be forwarded from the U S Treasury State Accounts office for the region through the Accounting section (FC).

E The Client File unit will:

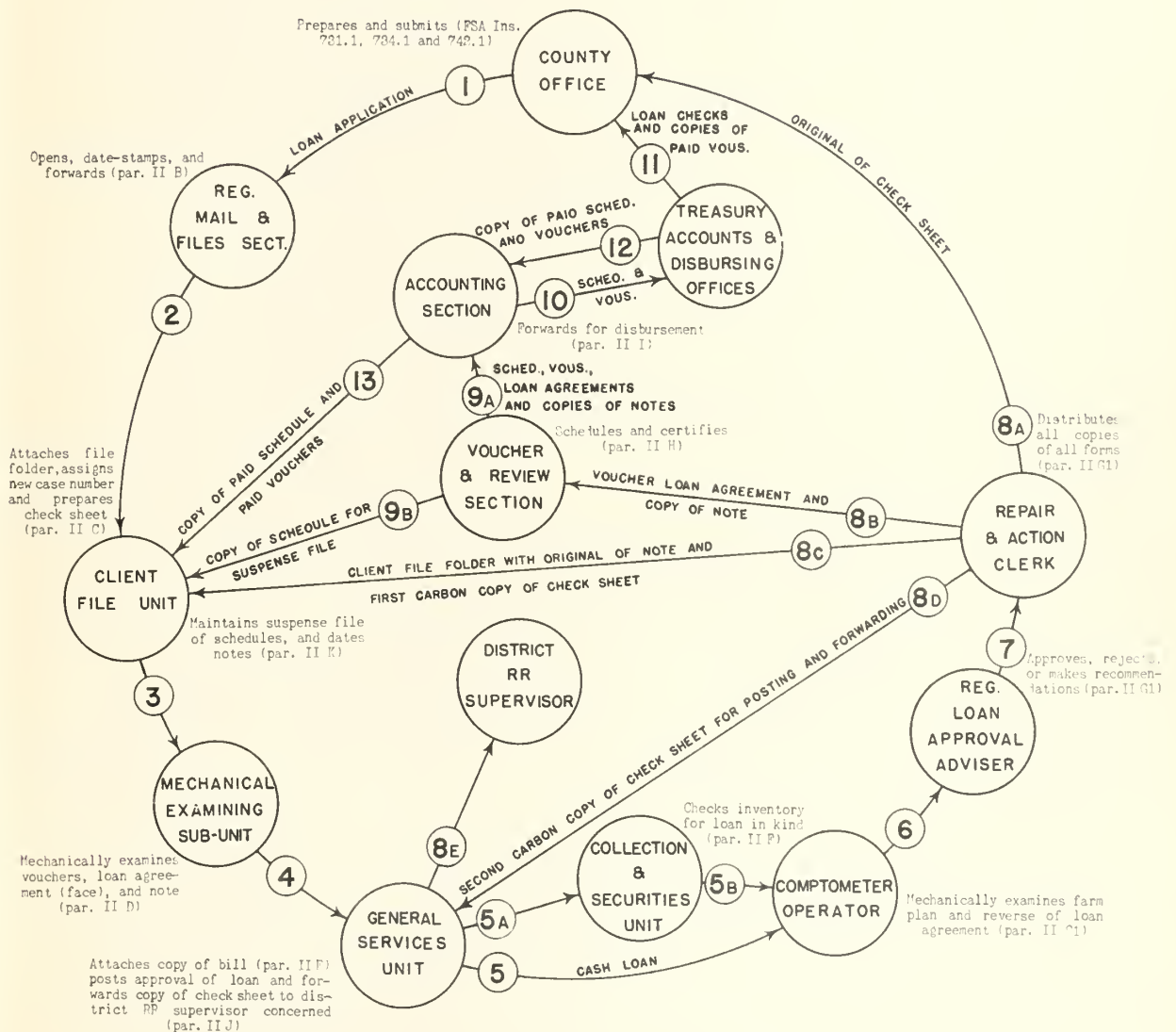
1 Upon receipt of grant budgets from the General Services unit, file one budgets in the client file folder

2 Upon receipt of the schedule copy from the Voucher and Review section, file it in a numerical suspense file.

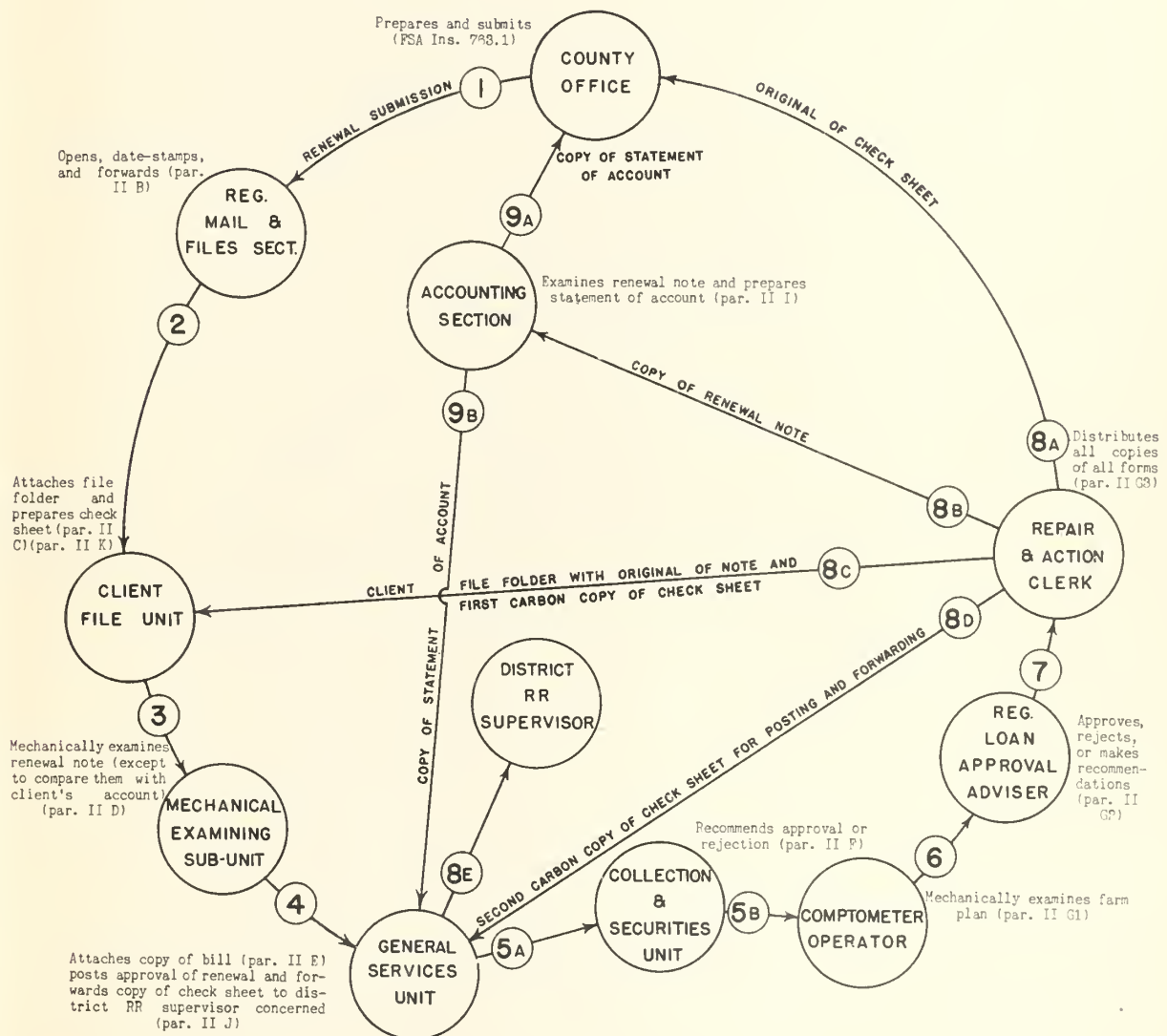
3 Upon receipt of the regional office copies of the paid Vouchers and Schedules (these will be the copies bearing the stamp of the Disbursing office), which will be forwarded by the U S Treasury State Accounts office for the region through the Accounting section (FC), remove the suspense copy of the Schedule and compare it with the paid Schedule and Vouchers to make certain that copies of all Vouchers are returned. If all copies of Vouchers listed on the Schedule are returned, the suspense copy of the Schedule may be destroyed and the paid copy will be filed by FSA schedule number. The copies of paid Vouchers will be filed by counties or projects by FSA voucher number.

Exhibits: A, B, C, and D.

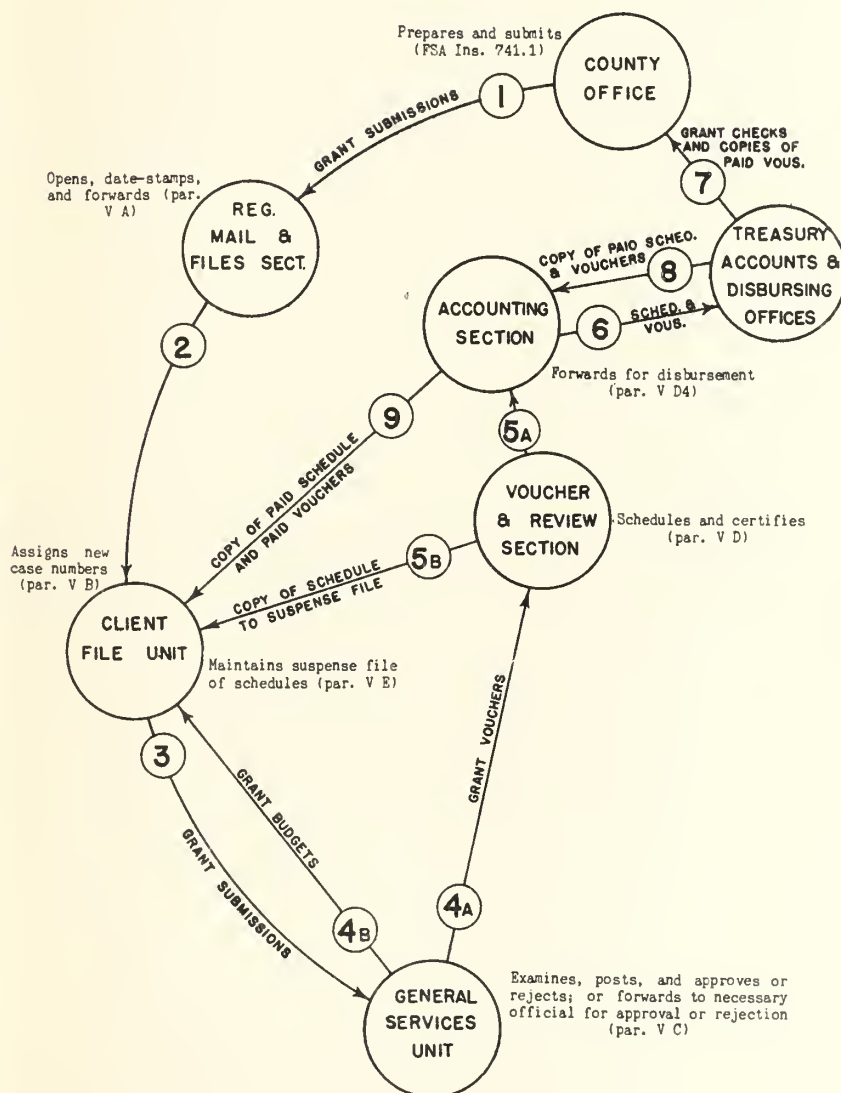
ROUTING OF LOAN APPLICATIONS IN THE REGIONAL OFFICE



ROUTING OF RENEWAL SUBMISSIONS IN THE REGIONAL OFFICE



ROUTING OF GRANT SUBMISSIONS IN THE REGIONAL OFFICE



AUTHORITIES TO APPROVE OR REJECT FSA LOANS (AND RENEWALS)

This chart indicates the division and limitations of the authority which is vested in FSA officials for the approval or rejection of the various types of loans (and renewals) to individuals and associations. Authority vested in the regional director and other regional office officials will not apply to projects under the jurisdiction of the Director of the RP Division in Washington, D. C. For such projects, authority within the same limits is vested in the Director of the RP Division in Washington, D. C.

	TYPES OF LOANS AND LIMITATIONS	Regional Loan Approval Adviser	Chief of the Region- al Loan and Collection Section	Reg. dir., and Asst., Reg. Dirs. in Chrg. of RR and RP	Adminis- trator
I	RR LOANS TO INDIVIDUALS (Note 1): Officials indicated to the right may approve loans which will not result in the client's total indebtedness (Note 2) to the FSA under the RR Program exceeding:	\$2,000	\$3,500	\$6,500	\$10,000
	A Provided such loan, if approved, will not result in the client's total indebtedness (Note 2) for:				
	(1) Standard and Emergency Loans, exceeding:	\$1,500	\$2,500	\$4,500	\$10,000
	(2) Community and Cooperative Services Loans to establish or participate in any one service or association, exceeding:	\$ 500	\$1,000	\$2,000	\$10,000
	B And provided further, such loan, if approved, will not result in an aggregate indebtedness arising from all Community and Cooperative Services Loans to individuals for participation in, or establishment of, any one service or association, for:				
	(1) All other than Medical and Health, exceeding:	(Note 3) \$2,000	(Note 3) \$4,000	(Note 3) \$7,500	\$17,500
	(2) Medical and Health, exceeding:	(Note 3) \$2,000	(Note 3) \$4,000	(Note 3) \$10,000	\$17,500
II	RR COMMUNITY AND COOPERATIVE LOANS TO ASSOCIATIONS: The Administrator may approve loans which will not result in the association's total indebtedness (Note 2) exceeding:	-	-	-	\$15,000
III	RP COMMUNITY AND COOPERATIVE LOANS TO ASSOCIATIONS: The Administrator may approve loans in amounts not exceeding (for any association):	-	-	-	\$25,000
IV	TP LOANS: Indicated officials may approve TP loans not exceeding (for any individual):	-	-	(Note 4) \$12,000	\$12,000
V	RP DEVELOPMENT (CONSTRUCTION) LOANS: Indicated officials may approve loans in such maximum and average amounts as are established for each project where such loans may be made: .	-	-	(See Explan- ation)	(See Explan- ation)

(Note 1) All RR loans to TP borrowers or RP occupants require the recommendations of the regional TP chief or assistant regional director in charge of RP, respectively.

(Note 2) "Total Indebtedness" as used herein refers to the principal of the loan under consideration plus the current unpaid balance for principal and accrued interest for previous loans.

(Note 3) "Aggregate Indebtedness" for the purposes of these limitations will consist of: (1) The current unpaid balance of principal and accrued interest on the previous loans, plus (2) the principal amount of all additional loans under consideration and contemplated in connection with the same association or service.

(Note 4) TP loans may be approved by the assistant regional director in charge of RR or RP and the chief and assistant chief of the regional TP section when authorized in accordance with FSA Instruction 601.2.


CASE RECORD CARD INSTRUCTIONS

I GENERAL

A The client record consists of Form FSA Gen 131, "Case Record Card", for loan cases and for grant cases, Form FSA RR 142, "Servicing History", and Form FSA FC 93 or 93a, "Statement of Account and Notice of Payment Due", for loan cases.

B The client record is maintained to provide a summary record of actions taken and follow ups for future necessary actions to be taken with reference to each individual case. Through the medium of visible signals, which indicate the actions taken and to be followed up, it is the primary source of periodical and special reports of program activity.

C The individual RR clients records are filed in the client record (Kardex) cabinets by states, by counties, and alphabetically by clients name within each county. TP borrowers records are filed in separate client record cabinets in the same manner. Project occupants records are filed in separate client record cabinets by states, by project numbers, and alphabetically within each project.

D All client record operators should be equipped with date and identification stamps. Each instrument, form, or correspondence document will be stamped therewith at the time it is cleared by the General Services unit. The following is a suggested facsimile of the stamp to be used " .

II **CLASSIFICATION OF CASES:** The various types of FSA cases are defined in FSA Instruction 409 1. The standard and emergency loan cases are also classified on the client record as to source of funds. All active RR loan cases that have received loans from FSA funds are classified as either standard or emergency FSA loan cases. Active RR loan cases that have received loans from state RR corporations only are classified as either standard or emergency corporation cases.

III CLASSIFICATION SIGNALING:

A The classification of FSA cases and actions affecting them are indicated on Form FSA Gen 131 by colored signals placed in various positions on the visible margin of the card. (The signals are expensive and inflammable, and each client record operator is required to exercise care that signals will not be wasted.)

B The color of a case classification signal indicates the current classification of the case. The colors and the classifications they represent are as follows:

1 RURAL REHABILITATION CASES.

Green	-	Standard FSA case
Blue	-	Standard corporation case
Pink	-	Emergency FSA case
Orange	-	Emergency corporation case
Yellow		Paid up standard case

DISTRIBUTION: Asst. reg. dirs. in charge of RR; chfs., reg. Loan and Collection secs.; spvrs., Gen. Sers. units; client record operators; and Chief, Collection Sec., RR Div., Washington, D. C.

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111 B 1 (cont.)

Tan		Paid up emergency loan case
Smoke	-	Inactive loan case
Red	-	Active grant case
Violet	-	Discontinued grant case

2 TENANT PURCHASE CASES.

Green	-	TP cases, fixed payment plan without RR loan.
Orange	-	TP cases, variable payment plan without RR loan, ahead of schedule.
Pink	-	TP cases, variable payment plan without RR loan, behind schedule.
Blue	-	TP cases, fixed payment plan with RR loan.
Red	-	TP cases, variable payment plan with RR loan, ahead of schedule.
Violet	-	TP cases, variable payment plan with RR loan, behind schedule.
Yellow	-	Paid up TP cases.
Smoke	-	Dropped TP cases.

C The signal positions, with the exception of the F and FF positions, are identified by the first letter of a color. The signals are placed over the letter which corresponds to the color of signal that identified the case at the end of the previous month. Therefore, a signal which is on a letter which corresponds to the color of the signal indicates a case that has not changed in classification during the current month. When an action takes place that changes a case from one RR classification to another RR classification, the old signal is removed and the new signal of the appropriate color replaces it in the same position. When a grant payment is approved for a case, the signal is moved to the corresponding double letter position (that is, from G to GG). At this time, if the case is a loan case, the classification signal will be punched if this has not previously been done. After the monthly count of signals has been made, all signals are moved to their normal position; that is, the single letter corresponding to the color of the signal (that is, Blue on B). These two instances are the only instances in which the position of a classification signal is changed. The F or FF signal position is used for all new cases during their first month as an FSA case.

D The F or FF signal position is used for all cases transferred into a given state. However, a small piece of paper is inserted in the signal channel, indicating the state the client transferred from. When a case is transferred out of a state, a small piece of paper is inserted in signal channel of the empty pocket to indicate that the case was transferred, its classification before transfer, and the state to which the case was transferred. In both instances, the pieces of paper are removed after the case count has been completed at the end of each month.

IV POSTING OF LOAN AND RENEWAL APPROVALS:

A After a client's loan submission, which may include a Loan Application, Renewal, or both, is approved by the Loan and Renewal Approval unit of the regional Loan and Collection section, the regional repair and action clerk, in distributing the documents of the submission, will send the second carbon copy of Form FSA RR 191, "Loan Submission Check Sheet", to the General Services unit.

B Upon receipt of the copies of the Check Sheets from the regional repair and action clerk, the actions indicated will be posted to Form FSA-Gen 131, showing date of approval, nature of action, and the amount of the loan approved. Amounts of renewals are not to be posted on Form FSA Gen 131. The

IV B (cont.)

appropriate classification signals will be set in accordance with the paragraph on "Classification Signaling". If the Check Sheet copy indicates conditions to be met upon the closing of an RR loan or renewal, a follow-up signal will be placed on Form FSA RR 142 (for RR clients and TP borrowers) or Form FSA RR 131 (for RP occupants). This follow-up signal will remain until notification is received from the Collection and Securities unit that it is to be removed. This is described in the paragraph on "Security Instrument Follow-up". If the Check Sheet indicates the approval of a Renewal Note, the preliminary signal provided in FSA Instruction 762.3 will also be set on Form FSA RR 142 at this time. After the posting and setting of signals is completed, the copy of the Check Sheet will be stamped with the date and identification stamp and forwarded to the district RR supervisor (for RR loans to RR clients and TP borrowers) or to such person as may be designated by the assistant regional director in charge of RP (for RR loans to RP occupants).

C The chief of the regional Loan and Collection section determines the amount of time that county RR supervisors or community managers are allowed after the issuance of a loan check to submit security instrument copies and such other evidences of fulfillment of the conditions of loan approval that may have been required. The General Services unit will trace delinquent security and other instrument copies by preparing Form FSA RR 132, "Tracer", and forwarding it to the county or project office.

V **SECURITY INSTRUMENT FOLLOW-UP:**

A The county RR supervisors or community managers will be notified of the approval of Loan Applications and Renewals by sending them the original of Form FSA RR 191. They will be notified of the final acceptance of Renewal Notes by means of a new statement of account, which is forwarded by the Accounting section of the office of the regional FC manager. After the closing of a loan or the acceptance of a Renewal Note, the county RR supervisor or community manager will carry out the instructions given to him on the Check Sheet and forward copies of the required instruments to the Collection and Securities unit of the regional Loan and Collection section. After these have been examined and accepted, the first carbon copy of the Check Sheet will be forwarded to the General Services unit with indications thereon as to whether the conditions have been met and the date that security will expire.

B Upon receipt of the first carbon copy of the Check Sheet, the follow-up signal (see paragraph IV B) will be removed if the Check Sheet indicates this action to be in order. In the instance of security instruments that are returned to the local office for correction, a follow-up for the return of the corrected security instruments will be set on Form FSA RR 142, as indicated on the Check Sheet. If a security expiration signal is to be established, as in the instance of new cases, or if the security expiration signal is to be changed, the Check Sheet will carry an indication to that effect, showing the date of filing and the date of expiration. The signals will be set in accordance with the paragraph giving the placing of the security expiration signals. The Collection and Securities unit will notify the General Services unit of subsequent security expiration date changes on Form FSA-RR 144, "Notice to Kardex". The security expiration signal will be prepared by marking in black pencil, the number of the month of expiration (that is, "9" for September) on the visible or crimped end of a white signal, and the last two digits of the number of the year of expiration in the center of the signal.

V (cont.)

C The security expiration signals are placed on Form FSA-Gen 131 in accordance with the following table:

Year of Expiration									
Current Year	1939	1940	1941	1942	1943	1944	1945	1946	
1939	VV	YY	TT	RR	(SS)	(SS)	(SS)	(SS)	
1940		YY	TT	RR	VV	(SS)	(SS)	(SS)	
1941			TT	RR	VV	YY	(SS)	(SS)	
1942				RR	VV	YY	TT	(SS)	
1943					VV	YY	TT	RR	
1944						YY	TT	RR	

For example, during the current year of 1939, a first security expiration occurring on May 10, 1940, would be signaled by a number 5 written on a signal located in the YY position, while a security expiration occurring on March 16, 1941, would be signaled by a number 3 written on a signal located in the TT position. The above positions provide for a follow up signal during any of the three years following any current year. When it is desired to set a follow up signal for a date later than the third following year, the (SS) position will be used. The signal will subsequently be moved to the proper position, as indicated in the table, on the first of the current year for which provision is made in the table for a signal position for that year of expiration. For example, during 1939 a security expiration follow up for 1944 will be indicated by a signal located in the (SS) position. In 1941 the signal would then be moved to the YY position.

D Prior to the tenth day of each month, the General Services unit will prepare for each county and project a separate list showing clients' names, case numbers, and dates of filing or recording of the securities which will expire during the second following month. For example: Prior to July 10, the lists will be prepared for clients whose security will expire during September, as shown by a number 9 signal in the current year position on Form FSA Gen 131. (At the discretion of the chief of the regional Loan and Collection section, the lists of clients whose security will expire may be prepared further in advance, especially in states where statutes allow only a short period of time for renewals to be made.)

E Prior to the tenth day of each month, the General Services unit will prepare for each county and project a separate list (similar to that provided for in paragraph V D) of the security (if any) which has expired and which has not been renewed or for which the loan has not been paid in full. For example: Prior to July 10, lists of the clients will be prepared for whom Form FSA Gen 131 has a number 1, 2, 3, 4, 5, or 6 signal in the current year position. These lists and those prepared in accordance with paragraph V D will be forwarded to the Collection and Securities unit for appropriate servicing actions.

VI POSTING GRANT APPROVALS:

A FSA Instruction 702.1 describes in detail the manner in which grants are processed by the General Services unit. Grant payments of more than thirty dollars (\$30), and grants for certain special purposes, are supported by grant budgets (and, in some instances, other documents) which are forwarded to the regional office for approval. Each approved budget is posted to Form FSA Gen 131 showing the date of approval, purpose for which grants are being made, and the total of the grant payments

VI A (cont.)

covered by the budget. These items are entered in the columns entitled "date" and "nature of action". In posting grant payments, the date of approval, the action (grant payment approved), and the amount of the grant are posted on Form FSA Gen 131 in the columns provided.

B A red signal is used to identify active grant cases and a violet signal is used to identify discontinued grant cases. The red signal is placed in the FF position when the first grant payment is made to a new case. After the case count is made at the end of the month, the signal is moved to the R position. As grant payments are posted each successive month, the red signal is moved to the RR position. After the count is made, the red signals on the RR positions indicate cases that were active during the month and the red signal on the R position indicates cases that were not active during the month. Therefore, the red signals on the RR position are returned to the R positions and the red signals on the R position, indicating inactivity, are replaced by violet signals on R. At the end of each month violet signals on the R position are moved to the normal or V position. When a grant payment is made to a discontinued grant case, the violet signal is replaced with a red signal in the RR position if the violet signal was on R, or the VV position if the violet signal was on V. When a grant is approved for a loan case, the classification signal is moved to the corresponding double letter position (that is, green on G to green on GG). The signal is punched if this has not previously been done. The signal is returned to the single letter position at the end of the month after the count has been made.

C A daily record is maintained of the number of grant payments that are rejected.

VII THE CASE COUNT:

A At the end of each month a count is made of the number of each color of signal on each position other than the normal position, that is, Green on F, O, P, B, R, V, Y, S, T, FF, GG, BB, and so forth, or Blue on F, G, O, P, R, V, Y, S, T, FF, GG, OO, PP, BB, and so forth. The count is made by states and is used in the preparation of Form FSA RR 84, "Report of FSA Cases". The preparation of the reports is described in instructions under classification series 409.

B At the end of the quarterly periods ending March 31, June 30, September 30, and December 31 and before the signals are returned to the normal position, a count of each color of signal on the normal position will be made in addition to the regular monthly count of signals not on the normal position in order to correct any accumulated errors. This quarterly count of all classification signals will be made by counties and projects and will be used in the preparation of Form FSA RR 84 and Form FSA RR 194, "Supervisory Case Load Report".

ADMINISTRATION OF THE RURAL REHABILITATION PROGRAM

I Within each region the rural rehabilitation program is under the general supervision of the regional director and the assistant regional director in charge of RR. Within each state (except those states where the client load does not justify a state director), general supervision will be exercised by the state director, and within each district by the district RR supervisor. The Instructions which follow for carrying out the rural rehabilitation program have been prepared in such a way as to reduce the necessity for written redelegations of authority by stating (or indicating) the authority granted county and district RR supervisors. Whenever authority is granted to a county RR supervisor or to a district RR supervisor in these Instructions, such authority is likewise hereby granted to each superior official mentioned above. The several regional directors are hereby given power to withdraw any authority granted in these Instructions from the office in which it is vested so that such authority may only be exercised by superior officials. Such withdrawal of authority may be general or for particular offices. Any authority so withdrawn may be revested at the discretion of the official who withdrew the authority in the office from which it was withdrawn.

II PERSONAL RESPONSIBILITY: Officers of the FSA are Government officials and as such are required by law to exercise their functions in accordance with statutes and regulations governing their activities. In these Instructions an attempt has been made to set forth the requirements which must be followed. Federal officials are frequently held personally accountable for thoughtless and well-meaning deviations from law and regulations. This is particularly true when the handling of public money or public property is involved. Field officers of the FSA, are, therefore, cautioned to comply with these Instructions.

TRIBUTION: A, J, and M.

STANDARD QUALIFICATIONS FOR RURAL REHABILITATION FIELD PERSONNEL

I From the inception of the program it has been generally recognized that the eventual success of the rehabilitation work would depend upon a properly qualified supervisory force possessed of a very high order of technical ability and a broad social outlook. Although these qualifications have not been formally defined, their character has been generally recognized and a constant effort made to obtain rural rehabilitation supervisors with these characteristics.

II The following three basic qualifications will be considered as standard for all county RR supervisors, Home Management supervisors, their associates and assistants.

A Broad social viewpoint and a sympathetic attitude toward low-income farmers.

B Training equivalent to graduation from a recognized college including majors as follows:

1 For RR supervisors, associates and assistants - agriculture, closely related to farm management problems preferably supplemented by social sciences.

2 For Home Management supervisors and assistants - home economics and social sciences or education with a minor in home economics, social sciences or rural sociology.

C Demonstrated successful experience in the field of agriculture, agricultural education and home making for RR supervisors, associates and Home Management supervisors and with a general rural background for the assistants.

III Exceptions to these standards, because of local conditions, shall be based on certain definite alternatives which will insure the successful operation of the rural rehabilitation program, namely:

A Evidence of maturity of judgment and a knowledge of technical methods in farm management, approximately equivalent to that of a graduate from an agricultural college of recognized standing, which is supported by a record of successful experience in farm operations or in other farm programs and activities.

IV Where exceptions to the standard qualifications are recommended, a complete and detailed justification must accompany the recommendation for appointment.

V While every effort should be made to uphold the standard qualifications for assistant supervisors and assistant Home Management supervisors, it will not be necessary to give as much weight to the factors of experience and maturity in their selection. Recent agricultural college graduates may be appointed to these positions and receive valuable in-service training. In many cases, assistant supervisors so selected may become eligible for promotion to positions as supervisors after they have demonstrated their ability to handle the work of supervisors effectively.

TRIBUTION: A, state directors and district RR supervisors.

RURAL REHABILITATION FAMILY PROGRESS REPORT

I GENERAL:

A The annual reports of county RR supervisors on the progress made by active standard RR families will be prepared for the 1939 crop year on Form FSA-RR 196, "Rural Rehabilitation Family Progress Report". These Reports will cover approximately 25 per cent of the active standard RR borrowers in each county in each region and will be prepared in an original only. The selection of 25 per cent of the active standard RR borrowers will be made by the regional office based on standards forwarded to them by the RR Division in Washington.

B When the regional office has selected the clients whose progress is to be reported, the names of such clients and their respective case numbers will be entered on individual Forms FSA-RR 196, "Rural Rehabilitation Family Progress Report", and forwarded to the county RR supervisors using Form FSA-RR 196A, "Annual Progress Report", as a transmittal memorandum. This Form, upon completion of the survey, will be returned to the regional office with the individual Progress Reports. Form FSA-RR 196A, "Annual Progress Report", will be prepared in an original only.

C Form FSA-RR 196B, "RR Family Progress Tabulation Card", will be used in tabulating the information secured from Form FSA-RR 196.

II RURAL REHABILITATION FAMILY PROGRESS REPORT: A separate report for each individual case selected will be prepared using Form FSA-RR 196, "Rural Rehabilitation Family Progress Report". This report will be made in an original only. See FSA Instruction 709.2 for details of preparing this report.

III ANNUAL PROGRESS REPORT: Form FSA-RR 196A, "Annual Progress Report", will be prepared in an original only. It will be partially completed in the regional office and forwarded to the county offices for completion, together with the required number of Form FSA-RR 196, "Rural Rehabilitation Family Progress Report". When all individual family reports have been made, they will be forwarded to the regional office via the district office using completed Form FSA-RR 196A, "Annual Progress Report", as a covering memorandum. The regional office, in accordance with instructions contained in FSA Instruction 709.2 will forward both Forms to Washington.

IV TABULATING INFORMATION: All tabulation will be done in Washington. No exceptions will be made in this respect. Form FSA-RR 196B, "RR Family Progress Tabulation Card", will be used for tabulating the information received from the regions.

DISTRIBUTION: A

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INSTRUCTIONS FOR PREPARATION AND SUBMISSION OF RURAL REHABILITATION FAMILY PROGRESS REPORT

I **GENERAL:** The annual reports of county RR supervisors on the progress made by active standard RR families will be prepared for the 1959 crop year under a somewhat different plan than was used in previous years. The new plan has two advantages: (1) The work of the county offices in preparing the reports will be greatly lessened inasmuch as this year's report form is much shorter and will be prepared only for approximately 25 per cent of the active standard RR clients in each county. The families to be reported on will be selected by the regional office. (2) The information obtained will be much more useful in studying the progress of RR families since individual case data will be available rather than county totals.

II **FORMS:** The Forms to be used this year are Form FSA-RR 196, "Rural Rehabilitation Family Progress Report", which will be prepared for each individual family selected and Form FSA-RR 196A, "Annual Progress Report", which will be used as a transmittal for the reports on Form FSA-RR 196 and will include information on four items for the entire county and case load therein.

III PREPARATION OF FORMS:

A **Form FSA RR 196A. "Annual Progress Report".** A report on this Form, attached as Exhibit D, will be prepared in an original only, for each county in the region. Each report will be prepared partly by the regional office and partly by the county RR supervisor having jurisdiction over the county. The regional office will insert the region, state, county, and congressional district numbers in the upper right corner; the name of the county and state; and the number of active standard RR families selected to be reported on Form FSA-RR 196. The county office will insert the data required for the items of the report which are numbered from one to four. The space at the bottom of the Form and the reverse side are provided for such comments on the program as the county offices may wish to make. The county RR supervisor and the RM supervisor will sign Form FSA-RR 196A.

B **Form FSA-RR 196, "Rural Rehabilitation Family Progress Report".** A separate report will be prepared on this Form, attached as Exhibit E, for each individual case selected. The regional office will insert the name and case number of every fourth active standard RR client on a single copy of this Form. (Detailed instructions as to how every fourth case will be selected will be forwarded separately to the regional offices.) Forms FSA-RR 196 and the covering Form FSA-RR 196A will then be forwarded to the appropriate county office. The county office will insert the region, state, county, and congressional district number and enter the data required for all items 1 to 36. The numbers which appear just to the left of the spaces provided for insertion of data (that is, 8-11, 12-14, 15-18.... 78, 79, 79, 80) are code numbers for the use of operators, who will transfer the information to punched cards for tabulating in Washington. These numbers should be disregarded by the county offices.

IV SUBMISSION OF THE FORMS:

A In selecting the families to be reported upon on Form FSA-RR 196, the regional office may select some families that the county offices do not regard as active standard RR cases. In such instances the county office will not complete Form FSA-RR 196 and instead will indicate on the form the reasons why the case is no longer active. As soon as the reports are completed, all Forms FSA-RR 196 (including those on cases considered inactive) and the covering Form FSA-RR 196A will be forwarded to

DISTRIBUTION: A and J.

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IV A (cont.)

the district office for review. Each county office will receive a small additional supply of Form FSA-RR 196 to take care of spoilage. When a Form is spoiled, a new Form will be prepared and stapled to the spoiled copy for forwarding. It will be the responsibility of the district offices to carefully review all Forms for each district and make certain that the region, state, county, and congressional numbers are correct and that the reports are mathematically correct. Too much emphasis cannot be placed on the review of the reports by the district offices. The work of the district offices in reviewing the reports for 1937 and 1938 was in many instances carelessly done and many reports were passed that had numerous arithmetical errors in them. A record will be compiled this year of the mechanical errors passed by each district office. District RR supervisors should especially check the amounts entered for items 4, 8, and 11 for mathematical accuracy, and make certain that entries for items 4, 8, 9, 10 or 11 are circled in red if they represent negative amounts. After the reports have been reviewed, the district RR supervisor will sign Form FSA-RR 196A and forward all of the reports to the regional office. The regional office will check the reports to make certain that all reports originally sent out to the county offices are returned, sort out reports for clients that the county offices consider to be inactive and spoiled reports and forward the reports for the active clients on Form FSA-RR 196 and the covering Form FSA-RR 196A to the Administrator, for the attention of RR Division.

B Following is a schedule by regions of the dates as of which the reports are to be prepared in the county offices, and the date the reports must be received in the regional offices:

<u>Region</u>	<u>Date of Report</u>	<u>Date Report Must Be In Regional Off</u>
I	12/31/39	1/15/40
II	12/31/39	1/15/40
III	12/31/39	1/15/40
IV	12/15/39	1/ 8/40
V	12/15/39	1/ 8/40
VI	12/15/39	1/ 8/40
VII	11/30/39	12/18/39
VIII	11/15/39	12/ 4/39
IX	11/30/39	12/18/39
X	11/30/39	12/18/39
XI	12/15/39	1/ 8/40
XII	11/22/39	12/11/39

V DESCRIPTION AND INTERPRETATION OF ITEMS ON FORM FSA-RR 196:

A Items 1, 2, 3, 4, 9, 15, 33a and 35 call for information as to the family's farming operations during the crop year preceding their first crop year on the RR program as an active standard case, or the status of the family at the time of acceptance as a standard case. This information will be taken from the Farm Plan which was prepared for the family's first year on the program. The other items call for information as to the family's farming operations during the 1939 crop year or status at the end of the 1939 crop year. This information will be taken from the Family Record Book, the new Farm Plan for the 1940 crop year or will be obtained by a farm visit.

B Interpretations of items on the Form upon which there might be some questions are as follows:

V B (cont.)

Item 1. "Total Cash Income From All Sources - Year Before Acceptance on the RR Program". This information will be obtained from the family's Farm Plan for the first crop year on the program and will be comparable to a summation of Tables A, B, and C of Part II, "Report of Our Last Year's Business" on Form FSA-RR 14. Your attention is called to the fact that the reference to Tables A, B, and C of Part II of the present Farm Plan may not be applicable to the Form in use at the time many clients were accepted on the program. Therefore, the information should be taken from those tables in the older Forms which correspond to Tables A, B, and C of Part II in the present Form.

Items 2 and 6. "Value of Products Produced for Home Consumption". This information will be obtained from an interview with the family. The entry will be the total value of all vegetables, field crops including grains, fruits, and livestock products produced on the farm and used, or stored for use, in the home. This amount will include the value of vegetables and meat canned, pickled, or dried for home use whether such materials have actually been used or not. Farm prices rather than retail prices will be used in arriving at the value of these goods. Thus the prices for which goods could be sold or the prices for which the goods could be purchased from a neighboring family will be used rather than the prices that would have to be paid if the goods were purchased at a regular retail store.

Item 3. "Cash Farm Operating Expenses - Year Before Acceptance on RR Program". This information will be obtained from that part of the family's Farm Plan for the first crop year on the program that is comparable to the first item in Table D of Part II of the present Form FSA-RR 14.

Item 4. "Net Income - Year Before Acceptance on RR Program". This item will be calculated by subtracting the amount shown in line 3 from the total of the amounts shown in lines 1 and 2. If the entry is a negative amount, circle the amount in red.

Item 5. "Total Cash Income From All Sources - 1939 Crop Year". This information will be obtained from a summation of Tables A, B, and C of Part II, "Report of Our Last Year's Business" on Form FSA-RR 14 for the 1940 crop year. However, if the 1940 Farm Plan has not been prepared as yet, it will be necessary to obtain comparable information from the 1939 Family Record Book or an interview with the family.

Item 7. "Cash Farm Operating Expenses - 1939 Crop Year". This information will be obtained from the first item in Table D, Part II of Form FSA-RR 14 for the 1940 crop year. However, if the 1940 Farm Plan has not been prepared as yet, it will be necessary to obtain comparable information from the 1939 Family Record Book or an interview with the family.

Item 8. "Net Income - 1939 Crop Year". This item will be calculated by subtracting the amount shown in line 7 from the total of the amounts shown in lines 5 and 6. If the entry is a negative amount, circle the amount in red.

Item 9. "Net Worth - Before Acceptance on the RR Program". This information will be obtained from that part of the family's Farm Plan for the first crop year on the program that is comparable to Part IV, "Financial Statement", in the present Form FSA-RR 14. If the entry is a negative amount, circle the amount in red.

Item 10. "Net Worth - End of 1939 Crop Year". This information will be obtained from Part IV, "Financial Statement", Form FSA-RR 14 for the 1940 crop year. However, if the 1940 Farm Plan has not been

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prepared as yet, it will be necessary to obtain comparable information from the 1939 Family Record Book or an interview with the family. If the entry is a negative amount, circle the amount in red.

Item 11 "Net Worth - Increase or Decrease Since Acceptance". This item will be obtained by subtracting item 9 from item 10. If the entry is a negative amount, circle the amount in red.

Item 12 "Total Amount of RR Loans Received Since Acceptance on RR Program". This entry will include all standard, emergency, or cooperative loans from FSA or state RR corporation funds that the family has received since it became a standard case.

Item 13 "Total Amount of Grants Received Since Acceptance on RR Program". This entry will include all grants received by the family in cash or kind since acceptance as a standard case.

Item 14 "Total Amount of Repayments Made on RR Loans Since Acceptance on RR Program". This entry will include all repayments of interest or principal on FSA or state RR corporation loans since acceptance as a standard case.

Item 15 "Number of Acres Operated - Year Before Acceptance on RR Program". This information will be obtained from that part of the family's Farm Plan for the first crop year on the program that is comparable to the last item of Table A, Part II, "Report of Our Last Year's Business" on the present Form FSA-RR 14.

Item 16 "Number of Acres Operated - 1939 Crop Year". This information will be obtained from the last item of Table A, Part II, of Form FSA-RR 14 for the 1940 crop year. However, if the 1940 Farm Plan has not been prepared as yet, it will be necessary to obtain comparable information from the 1939 Family Record Book or an interview with the family.

Item 17 "If Debts Were Adjusted Prior to Making First Loan, Place in Column". (If the amount entered for item 9, "Net Worth - Before Acceptance on the RR Program" is the net worth after the debts were adjusted, consider the debts as having been adjusted prior to the making of the first loan.) If debts were not adjusted prior to the making of the first loan, the line will be left blank.

Item 18 "Amount of Debt Reduction, If Any". This information will be obtained from Form FSA-RR 89. If any debt reduction has been accomplished for the client, an entry should be placed on this line regardless of whether or not the debt adjustment was made prior to the client's first loan.

Item 22 "Number of Tons of Forage Produced for Farm Use - 1939 Crop Year". This information will be obtained by subtracting the number of tons of forage sold from the "our share" amount of total forage production as shown in Table A, Part II, Form FSA-RR 14 for the 1940 crop year. However, if the 1940 Farm Plan has not been prepared as yet, it will be necessary to obtain comparable information from the 1939 Family Record Book or an interview with the family.

Item 23 "Number of Bushels of Grain Produced for Farm Use - 1939 Crop Year". This information will be obtained by subtracting the amount of grain sold from the "our share" amount of total grain produced, as shown in Table A, Part II, Form FSA-RR 14 for the 1940 crop year. However, if the 1940 Farm Plan has not been prepared as yet, it will be necessary to obtain comparable information from the 1939 Family Record Book or an interview with the family.

V B (cont.)

Item 25. "Number of Livestock Units Owned, Other than Work Stock". Convert the number of each kind of livestock to livestock units and enter the total in the space provided. (Each of the following equals one livestock unit: 1 cow, 2 heifers, 4 calves, 2 feeders, 2 colts, 5 ewes, 5 sows, 25 turkeys, 100 hens other than turkeys, and other young stock according to maturity.)

Item 26. "Number of Enterprises Returning 10% or More of Gross Cash Income - 1939 Crop Year". This item will be calculated as follows: Each different crop or type of livestock will be considered as a separate enterprise. The value of sales listed in Tables A or B of Form FSA-RR 14 for the 1940 crop year, for any enterprise, should be divided by the total cash income from all sources. (Item 5 on Form FSA-RR 196.) The number of such enterprises, for which the result of the above calculation is 10 per cent or more, should be entered in the space provided for this item. Example - John Brown has a total cash income of \$739. Total sales were: Corn - \$300, hay - 100, wheat - 100, dairy products - 75, hogs - 80, eggs - 25, cattle - 20, and poultry - 39.

Corn	$\$300 \div \$739 = 40 + \%$
Hay	$100 \div 739 = 13 + \%$
Wheat	$100 \div 739 = 13 + \%$
Dairy Products	$75 \div 739 = 10 + \%$
Hogs	$80 \div 739 = 10 + \%$
Eggs	$25 \div 739 = 3 + \%$
Cattle	$20 \div 739 = 2 + \%$
Poultry	$39 \div 739 = 5 + \%$

The above calculations indicate that there were five enterprises which return 10 per cent or more of the gross cash income. However, if the 1940 Farm Plan has not been prepared as yet, it will be necessary to obtain comparable information from the 1939 Family Record Book or an interview with the family.

Item 35. "Check the Tenure Status of the Family". A family which has title to all of the farm operated (regardless of whether or not the farm is mortgaged) will be considered to be an owner. A family which owns part and rents part of the farm operated will be considered to be a part owner.

Attachments:

Exhibits A and E

-

UNITED STATES DEPARTMENT OF AGRICULTURE
FARM SECURITY ADMINISTRATION
Washington

ANNUAL PROGRESS REPORT
1939

Region 5
State 16
County 08
Cong. Dist. 8

The following information is submitted for Boone county in

Iowa along with the Rural Rehabilitation Family Progress
(State)

Reports for 45 selected active standard RR families.

Reviewed by

Signed Mary Smart
(Home Supervisor)

Richard Roe

Signed John Loe
(County RR Supervisor)

	<u>White</u>	<u>Negro</u>	<u>Indian</u>	<u>Other</u>	<u>Total</u>
1. Number of active standard RR Families	<u>155</u>	<u>18</u>	<u> </u>	<u> </u>	<u>173</u>
2. Number of children in active standard RR families attending school for school year who could not have attended if the families had not been assisted by the RR Loan Program					<u>217</u>
3. Number of active standard RR families who have options to purchase the farms which they operate. (Do <u>not</u> include those who have obtained options to purchase in connection with the development of applications for tenant purchase loans.)					<u>19</u>
4. Number of eligible families not now on program					<u>163</u>

COMMENTS

UNITED STATES DEPARTMENT OF AGRICULTURE
FARM SECURITY ADMINISTRATION

RURAL REHABILITATION FAMILY PROGRESS REPORT

Name John J. Baker Case No. 45978

Region _____
State _____
County _____
Cong. Dist. _____

1. Total cash income from all sources - year before acceptance on RR program.....	8-11	420
2. Value of products produced for home consumption - year before acceptance.....	12-14	185
3. Cash farm operating expenses - year before acceptance on RR program.....		376
4. Net income - year before acceptance on RR program (line 1 plus 2 minus 3).....	15-18	329
5. Total cash income from all sources - 1939 crop year.....	19-22	512
6. Value of products produced for home consumption - 1939 crop year.....	23-25	304
7. Cash farm operating expenses - 1939 crop year.....		383
8. Net income - 1939 crop year (line 5 plus line 6 minus line 7).....	26-29	534
9. Net worth - before acceptance on RR program.....	30-33	278
10. Net worth - end of 1939 crop year.....		796
11. Net worth - increase or decrease since acceptance (if dec circle in red).....	34-37	418
12. Total amount of RR loans received since acceptance on RR program.....	38-41	480
13. Total amount of grants received since acceptance on RR program.....	42-44	90
14. Total amount of repayments made on RR loans since acceptance on RR program.....	45-48	308
15. Number of acres operated - year before acceptance on RR program.....	49-51	2
16. Number of acres operated - 1939 crop year.....	52-54	64
17. If debts were adjusted prior to making first RR loan place "x" in column.....	55	
18. Amount of debt reduction, if any.....	55-58	22
19. Number of quarts of fruit and vegetables canned - 1939 crop year.....	59-60	56
20. Number of pounds of meat produced for home consumption - 1939 crop year.....	61-62	360
21. Number of gallons of milk produced for home consumption - 1939 crop year.....	63-64	660
22. Number of tons of forage produced for farm use - 1939 crop year.....	65-66	5
23. Number of bushels of grain produced for farm use - 1939 crop year.....	67-68	236
24. Number of work animals owned - 1939 crop year.....	69	
25. Number of livestock units owned - 1939 crop year (other than work stock).....	70-71	5
26. Number of enterprises returning 10% or more of gross income - 1939 year.....	72	
27. Number of supervisory visits made - 1939 crop year (farm and home).....	73	9
28. Number of persons in the family.....	74	7
29. Age of head of family (circle one) (under 25) (25-34) (35-44) (45-54) (55-64) (65-up)		
30. If the family rents the farm they operate, what is the length of the lease (yrs)		
31. If the family rents, do they have a written lease? (Check one).....	77	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No
32. Circle the years in which the family changed farms.....	77	35 36 37 38 39
33. Check the tenure status of the family		
(A) Before acceptance: 0 owner, 1 part owner, 2 tenant, 3 <input checked="" type="checkbox"/> cropper, 4 laborer	78	
(B) 1939 crop year: 5 owner, 6 part owner, 7 <input checked="" type="checkbox"/> tenant, 8 cropper, 9 laborer	78	
34. Check the race of the head of the family: 1 <input checked="" type="checkbox"/> white, 2 negro, 3 indian, 4 other	79	
35. Circle the first crop year during which the family was on the RR program.....	79	35 36 37 38 39
AAA farm program.....	1	<input checked="" type="checkbox"/>
AAA county committee.....	2	
County land use planning committee.....	3	
FSA community or cooperative services.....	4	<input checked="" type="checkbox"/>
Other community or cooperative services.....	5	
Medical services plan.....	6	<input checked="" type="checkbox"/>
4-H club.....	7	<input checked="" type="checkbox"/>
Vocational education class.....	8	<input checked="" type="checkbox"/>
Extension service club.....	9	<input checked="" type="checkbox"/>

Check the activities and
organizations in which
one or more members of
the family participate

**APPLICATIONS - VETERANS' PREFERENCE
COUNTY OFFICE ROUTINE**

I **PREFERENTIAL HANDLING:** Applications of veterans received through the Veterans Administration will be given preferential consideration for FSA aid.

II **ACTION IN THE COUNTY OFFICE:**

A When the application of a veteran received through the Veterans Administration and the green copy of Form FSA-PP 60, "Referral of Veteran's Application", are received in the county office, the county PP supervisor will make a thorough investigation of the need and eligibility for rehabilitation of the veteran applying.

B The county PP supervisor will immediately prepare a report of his investigation with his recommendation and make the necessary notations on the green copy of Form FSA-PP 60. He will then forward his report, the veteran's file including the Application and the green copy of Form FSA-PP 60 to the regional director.

C If the county PP supervisor determines that the veteran is eligible for rehabilitation, he will immediately prepare Form FSA-PP 12, "Application for Rehabilitation", Form FSA-PP 14 and 14A, "Farm and Home Management Plan", and other forms necessary for the packet of an applicant. Such a packet should be handled expeditiously and given prior consideration.

DISTRIBUTION: A and J.

**APPLICATIONS - VETERANS' PREFERENCE
REGIONAL OFFICE ROUTINE**

I PREFERENTIAL HANDLING: Applications of veterans received through the Veterans Administration will be given preferential consideration for FSA aid.

II ACTION IN THE REGIONAL OFFICE:

A Form FSA-RR 60, "Referral of Veteran's Application", will be originated in Washington. Two copies of this Form will be forwarded to the regional director together with the application file, including related correspondence.

E The regional director will retain the blue copy and forward the green copy together with the veteran's file to the county RR supervisor assigned to the county in which the veteran resides. The county RR supervisor will investigate the case and take such action as is prescribed in FSA Instruction 716.1.

C When the county RR supervisor's report and recommendation, including the green copy of Form FSA-RR 60 along with the veteran's file, is received by the regional director, he will make the necessary notations on the blue copy of Form FSA-RR 60 for his files. If the county RR supervisor recommends aid other than rural rehabilitation, determination will be made as soon as practicable whether the veteran is eligible and the decision will be noted on the county RR supervisor's report.

D The regional director will then forward the county RR supervisor's report, the green copy of Form FSA-RR 60, and the veteran's file to Washington, D. C., for the Rural Rehabilitation Division.

E If the veteran is eligible for aid other than rehabilitation, steps will be taken immediately to so advise him and to obtain his application, if he is interested.

DISTRIBUTION: A.

STANDARD RURAL REHABILITATION LOANS
CRITERIA AND COUNTY OFFICE ROUTINE

I PURPOSE OF THE PROGRAM: It is the purpose of the standard RR loan program, through a program of financed and supervised Farm and Home Management Plans, to establish low-income farm families in need of aid in family enterprises on economic size units which will provide a healthful and otherwise satisfactory level of living and a cash income sufficient to pay annual farm and home operating expenses, repay capital obligations, and allow the family to participate, within their capabilities, in the normal social, educational and economic activities of the community.

II FACTORS IN RURAL REHABILITATION: There are certain fundamental factors in the financing and supervising of eligible farm families to insure maximum benefit from the standard RR program. These are:

A Availability of Suitable Land. There shall be available to the client an economic farm unit with such acreage, soil resources and improvements as will, with the effective application of the family's abilities, produce returns adequate for successful rehabilitation.

B Security of Tenure. Security of tenure may be obtained through ownership, lease, or a combination of these methods which provides for non-disturbance of the client's farm and home operations at least during the period of rehabilitation. Definite tenure over the period of the loan should be provided for new tenant clients through written leases with renewal clauses or continuing clauses, requiring formal notification of termination by either party. Compensation features should be included for tenant's unexhausted improvements, together with provisions for arbitration of differences between the landlord and tenant. For old clients, expiring tenure arrangements which are not in conformance with FSA's policy will be revised as rapidly as circumstances permit.

C Debt Adjustment. Where clients have outstanding debts and obligations, these should be adjusted within the clients' ability to pay on the basis of normal income producing probabilities of the farm through cancelation, reduction of principal and interest, extension of time in repayment, and/or renewal of amortization. Payment of the debt on the adjusted basis should be provided from the probable income as shown on the Farm and Home Plan. As specifically authorized in the provisions dealing with the purposes for which standard loans may be made, exceptions in which old debts may be refinanced as part of the standard loan are:

1 Where rehabilitation of an eligible client is threatened by foreclosure on chattels necessary to the farm and home operations, the current commercial value of which is in excess of the amount of the adjusted debt.

2 Where unsecured debts have been substantially reduced through debt adjustment and where there is a strong probability that the creditor may secure judgment and levy against chattels necessary to the rehabilitation of the client. Loans may not be made for financing or refinancing real estate transactions either directly or indirectly, nor may releases on crop or chattel mortgages be given for such purposes except where loan maturities due the FSA have been repaid and the balance of the loan is adequately protected by the remaining security.

TRIBUTION: A, F, J, and M.

Rehabilitation
Standard Methods
Standard Loans

II (cont.)

D Community and Cooperative Services Loans. Where facilities and services essential to rehabilitation are prohibitive or economically inadvisable on a strictly individual basis, consideration should be given to the provision of such facilities and services on a group basis through community and cooperative services loans.

E Rehabilitation Factors to be Considered With Other Agencies. In analyzing the resources and supervising the farm and home operations of a client, appropriate consideration should be given to acreage allotments and benefit payments under the AAA program; to land use designations made by the BAE; to cropping and erosion control practices recommended for the area by SCS; and to the use of technical information on farm and home management which is available from the Extension Service and experiment stations; and to instructional methods and help from vocational, agricultural and home economics teachers. Likewise in other problems pertaining to the rehabilitation of farm families, such as health, education, sanitation, marketing and the like, the services of local agencies should be enlisted.

F Cooperation of Client Family. Financing and supervising Farm and Home Management Plans require the cooperation of the client in:

- 1 Production of a year-round supply of home grown vegetables, fruit, meat, poultry, eggs, and milk for family use.
- 2 Production of a year-round supply of pasture, forage and grain for the farm livestock.
- 3 Production of sufficient cash income from the farm to pay cash farm and home operating expenses and repay the FSA loan and other obligations.
- 4 Keeping up-to-date, summarizing and analyzing farm and home account records.
- 5 Participation in economic services which will reduce farm and home operating expenses or farm and home capital cost.
- 6 Participation of the client family in group instruction in farm and home management, rural health and sanitation, rural cooperation and recreational activities.
- 7 Individual instruction in technical phases of improved farm and home practices.
- 8 Proper accounting for use of proceeds of loans according to provisions of the Loan Agreement, the care and condition of property and crops mortgaged to the FSA and the use of farm and other income according to the provisions of the Farm and Home Plans and the Loan Agreements.

III FARM AND HOME SUPERVISION OF CLIENTS: The standard RR loan program reinforces the extension of necessary credit with supervision, instruction, and guidance along practicable farm and home management lines. The purpose of extending credit is to make possible the carrying out of approved practices developed in the Farm and Home Management Plans. The families should be made to understand this and each member of the family should know what is expected of him before loan funds are made available. Steps in the supervisory process which begin with the first contract with the family are:

III (cont.)

A Analyzing Present Situation. Analyzing with the applicant family its present situation as it relates to "Factors in Rural Rehabilitation" outlined above, and deciding upon the goal to be reached.

B Securing Cooperation of Family. Securing the cooperation of the family in the development and use of the "Farm and Home Management Plan" as the basis for operation.

C Keeping, Summarizing, and Analyzing Farm Family Records. Each family should be provided with a copy of the farm family record book, together with full instructions for its use upon acceptance and annually thereafter. The books should be kept up-to-date, summarized at the end of each year, and used as a basis for building new plans and indicating to the family progressive changes in farm and home management for the coming year.

D Group Instruction of Client Families. Instruction may well be given to client families in groups on the development and interpretation of the Farm and Home Management Plans and on keeping, summarizing, and analyzing the farm family records. The Farm and Home Management Plans may be used as a basis for a complete discussion of the elements of farm and home management which go into balancing a farm family enterprise. A partial list of other subjects adapted to group instruction would include canning and conservation of food, farm family diets and health measures, livestock, soil and crop practices, and so forth.

E Farm and Home Instruction Visits: At intervals of a few weeks, Farm Management advisers and Home Management supervisors should check on the seasonal progress of clients and advise with them concerning methods and changes which may be necessary in order to meet emergencies which may develop. Before marketing seasons, county RR supervisors should check with clients in detail on the prospects for cash income and its use for the various purposes set up in the Farm and Home Plans and the Loan Agreement. Instruction in technical aspects of farm and home management, pertinent to the individual case, may be given at the time of such visits. Clients should be classified according to the amount of farm and home instruction needed, and the relative frequency of visits should be planned accordingly. After each supervisory visit, Form FSA-RR 19, "Farm Visit Report", will be prepared in duplicate, confirming matters discussed during the course of the visit and the instructions given. One copy of this Report will be forwarded to the client for his information and guidance and the other copy will be retained in the county office files.

F Letters of Instruction. In a limited way, the seasonal letter circulated to clients has been an effective substitute for personal contact. Field letters may be used to instruct capable clients regarding necessary seasonal farm and home operations.

G Client's Office Calls. Clients' calls at the county office may be necessary in certain emergencies which arise where necessary information or instruction may be secured by the client more quickly by this means. Generally speaking, however, unrestricted clients' calls of a miscellaneous nature may contribute to disorganization of the office work and keep clients away from their farms at times when they may be profitably employed there.

IV STATE AND COUNTY ADVISORY COMMITTEES:

A State FSA Advisory Committees: In each state there should be a state FSA advisory committee

IV A (cont.)

(preferably the committee now functioning in connection with the TP program) which should serve in an advisory capacity with respect to all phases of the FSA program, except that such state FSA advisory committee should replace the state FDA committee only when agreeable to the authority responsible for its creation within a given state.

B County Rehabilitation Advisory Committees. It is the policy of the FSA to have in each county a strong county rehabilitation advisory committee wherever possible to advise with the county RR supervisor on eligibility of applicants and their ability to profit from the program, and also to advise on handling of problem cases. Members of county committees should be carefully selected on the basis of a sympathetic interest in the human needs and problems of low-income farm families in the area. Such a committee can assist the county RR supervisor and do much to interpret the program to the public and to place the supervisor in a much stronger position to justify procedure under the program. (In this connection it should be remembered that county committees (TP) appointed in conformance with the provisions of Section 42, Title IV, Bankhead-Jones Farm Tenant Act may serve as the county rehabilitation advisory committee provided, however, the compensation and reimbursement of county committee members out of funds appropriated from the authority of Title I of the Bankhead-Jones Farm Tenant Act shall be limited to payment for services rendered in connection with the carrying out of the provisions of the Title. If Tenant Purchase county committees are utilized care should be taken to emphasize that in general standards for tenant purchase loans are higher than for standard rehabilitation loans.)

V PERSONS ELIGIBLE FOR STANDARD LOANS: Low-income farmers, including owner-operators, tenant, sharecroppers, and farm laborers who are (1) living on farms from which they derive the major portion of their livelihood; (2) temporarily living in towns and villages because of inability to remain on farms from which they previously derived the major portion of their livelihood; or (3) recently married young men who are sons of farm families and desire to engage in farming operations for a livelihood; or (4) accepted applicants for TP loans will be considered eligible for standard loans if they are:

A In need of the supervised and financed farm and home management services of the FSA.

B Unable to obtain adequate farm financing from agencies other than the FSA. (This provision does not apply to TP borrowers as it is deemed desirable that all financing for such borrowers be through the FSA.)

C Willing to assume the obligations of self-help necessary to effect their rehabilitation and show evidence of acceptable industry, ability and managerial capacity to profit from farm and home management guidance and instructions as well as financing.

Note: So long as there is unmet need among full-time farmers in a given area, unemployed industrial workers, who desire to return to the farm, will not be eligible under the standard RR loan program.

Note: It is the policy of the Farm Security Administration not to make loans to a farmer renting land which a supervisor of the Farm Security Administration or his immediate family either owns, controls, or has a substantial interest in. Every effort should be made to terminate

" C (cont)

as quickly as possible any such existing arrangements between clients and supervisors so that clients can make plans for the next crop year. However, if any present client now rents land in which a supervisor has an interest and an immediate termination of the agreement would work a hardship on him and hinder his rehabilitation, full facts should be presented to the regional director for determination as to the advisability of permitting the present status to continue for the time being. The regional director should consider carefully all of the factors involved, such as the fairness of the arrangement, its effect on public opinion, and so forth. This function should not be delegated.

VI COORDINATION WITH FARM CREDIT ADMINISTRATION AND OTHER ESTABLISHED CREDIT AGENCIES: It is the policy of the FSA to send applicants to agencies of the Farm Credit Administration or to other established credit agencies whenever adequate financial assistance can be obtained there on suitable terms and conditions.

A Applicants for FCA loans who are not indebted to any agency but who are apparently a suitable risk for adequate financing by some other agency should be referred to the appropriate agency. Such agencies would include:

- 1 PRODUCTION CREDIT ASSOCIATION, operating in the community in which the applicant resides
- 2 FEDERAL LAND BANK, when application is made for a real estate loan, or
- 3 Local banks and non-Federal credit agencies (including Federal Housing Administration insured loans for improvements and construction)
- 4 EMERGENCY CROP AND FEED LOAN SECTION OF THE FARM CREDIT ADMINISTRATION for feed and seed loans if such loans will meet the need of the applicants

B Applicants should be required to present evidence that they cannot secure the desired financing under suitable terms and conditions from other agencies.

C Where applicants are already indebted to the Farm Credit Administration or to other agencies, the county RE supervisor will ascertain from such agencies whether they wish to make the loan requested. If the agency is prepared and willing to finance the applicant on a satisfactory basis, the applicant should be referred to the agency involved. If the agency does not wish to provide the additional necessary financing, the FSA should make no effort to provide it unless an appropriate plan can be worked out under which the borrower will be able to provide the FSA with adequate security, and discharge both debts in an orderly manner. Such plan may require voluntary debt adjustment, waiver or non-disturbance agreements. It is not the policy of the FSA to make loans to persons who are indebted to an agency of the Farm Credit Administration and who have executed chattel mortgages to such agencies covering property necessary for the continued operation of their farms, except where specifically provided for in special agreements with the Farm Credit Administration.

D Special agreements between the Farm Credit Administration and the FSA have been entered into each year and in all probability will be entered into from time to time in the future. Field personnel will be provided with full instructions for carrying out such agreements.

VI (cont)

E **Refinancing Non-real Estate Accounts.** The FSA will take over non-real estate accounts of borrowers from other agencies when threatened foreclosure would deprive the borrower of chattels essential to the operation of the Farm and Home Plan, or where agreements with creditors cannot be obtained for orderly repayment of such accounts out of income, providing such chattels have a commercial value equal to or greater than the adjusted amount of the lien. Real estate loans may not be refinanced through FSA loans, except under specially limited circumstances as authorized by the Administrator. However, in cases where real estate foreclosures are threatened, the FSA will cooperate to prevent such foreclosure by joining in a plan with the mortgage creditor for the equitable division of the farm income, providing the mortgage creditor will grant a suitable extension of the mortgage debt and so revise the repayment schedule that the borrower will have reasonable hope of meeting the obligation out of the usual landlord's share of farm income. If necessary, the FSA will develop a new or improved "Farm and Home Management Plan" to demonstrate the debt paying ability of the farm and will provide a loan for the purchase of additional livestock or equipment, if the Farm Plan shows this to be economically feasible in order to increase the borrower's income. The arrangement for division of income will be outlined in the approved Farm Plan. The mortgage to secure the FSA loan should cover all of the chattels and the tenant's share of the crops, the real estate creditor being permitted to take a mortgage on the usual landlord's share of the crops; or, where practicable, the FSA mortgage will cover all of the chattels and crops and payment to the real estate creditor of the usual landlord's share of the crops actually produced may be effected by means of a release. Any arrangement will, of course, be subject to the rights of other creditors. (Rev 12-2-39)

VII PURPOSES FOR WHICH STANDARD RR LOANS MAY BE MADE:

A Standard RR loans may be made with a repayment period not in excess of ten years for the following purposes:

1 To pay advance rental on agricultural land in order to round out for the client an economic farm unit where such major shift in agricultural economy is planned such as from cash crop farming to the diversified livestock and grazing economy

2 To purchase foundation herds of purebred or high grade livestock to be carried as a farm enterprise by the client having land ownership or security of tenure for the period of the loan

3 For land clearing operations on necessary land suitable for agricultural purposes where such loans are not inconsistent with other agricultural programs authorized by Congress, and:

a Where the borrower has moved to such land from submarginal land optioned or purchased by a Government agency and where the borrower has ownership or a contract of purchase which provides security of tenure for the period of the loan and provides terms which give reasonable assurance for fulfillment

b Where prospective or accepted standard RR clients have entered or are entering into farming operations and farm income will be delayed while the farm is being brought into full production

c Where the borrower is an RP client entering into a Lease and Purchase Contract with the FSA for the purchase of a farm, and farm income will be delayed while the farm is being brought into full production

VII (cont.)

B Loans may be made for a period of not to exceed five years for the following purposes:

- 1 Purchase of work stock or subsistence livestock
- 2 Purchase of farm machinery or household equipment

C Purchase of lime and fertilizer for the seeding of land to permanent pasture and meadow, the benefits of which will be spread over a number of years and the cost of which may reasonably be expected to be repaid within five years

a Such loans may be made to either land owners or tenants, but if these loans are made to tenants they shall be based upon land tenure which will not expire before the date of repayment of the loan or before full benefits of the improvement have been realized by the tenant unless the client has a contract with his landlord, under the terms of which he will be compensated for any unaccrued residual value of the improvement, which exists at the time the lease is terminated

4 Construction of minor buildings and fences and repairs thereto, and for other minor farm improvements essential to the successful operations of the farm family enterprise

5 Refinancing chattel mortgages when it is found impossible to make other equitable adjustments and where rehabilitation of an eligible client is threatened by foreclosure on chattels necessary to the farm and home operations, the current commercial value of which is in excess of the amount of the adjusted debt

6 Refinancing unsecured debts which have been substantially reduced through debt adjustment and where there is a strong probability that the creditor will secure judgment and levy against chattels necessary to the rehabilitation of the client. Refinancing in such cases shall only be by special authority of the regional director

C Loans may be made for a period of two years or less for the purchase of seasonal farm and home supplies, minor repairs to buildings and fences; repairs to farm and household machinery and equipment, the purchase of farm tools; the purchase of baby chicks or feeder pigs or other livestock which will be consumed or marketed in less than two years; the purchase of subsistence goods for human needs and the payment for indispensable medical services and for sanitation; the payment of annual current interest on chattel mortgages; the payment of annual current rent on land and buildings; the payment of annual current taxes on real and personal property; the payment of crop insurance premiums; the payment of premiums for insurance against fire, wind, lightning, and other types of accidental damage to chattels and buildings, provided such protection is considered essential for the security of the loan and/or the rehabilitation of the client (Wherever possible, it is desired that insurance premiums be paid by the client out of the proceeds of crops or other funds rather than including funds in the loan for that purpose; in no case may funds be included for payment of insurance on buildings not owned by the client; the payment of seedling and raising fees and the payment of current labor, provisions and transportation and other expenses for the care of the client's family)

VIII **INTEREST AND AMORTIZATION:** Interest will be charged at the rate of five per cent per annum on all loans and on advances granted thereon. Interest will accrue on principal only and shall not be compounded. Repayments on loans for the above purposes will be set up in the Loan Agreement and LOTS in such instalments as are determined to be in accordance with the anticipated maximum ability of the borrower to repay as indicated by probable income shown on the "Farm and Home Management Plan" ap

Rehabilitation

Standard Methods

Standard Loans

VIII (cont.)

proved for the borrower. Under the terms of the Emergency Relief Act of 1938 and orders issued thereunder, it will no longer be necessary to require that repayments be made in equal annual instalments. However, it will be the policy of the FSA to require repayment of annually recurring operating expenses from the crops for which such advances were made in order to avoid pyramiding indebtedness. Repayments on items of this nature should not be spread over a two-year period. Where the loan is made for a period of five years or more, the early payments on the principal may be deferred or fixed at a lesser amount than in the later years if the borrower is subject to one or more of the conditions of financial stress listed below.

A A heavy repayment schedule arising during the first two years, as a result of funds advanced for purposes for which a loan not in excess of two years may be made.

B The necessity of meeting heavy repayments of obligations owing other creditors during those years.

C The beginning of borrowers' farm operations at a season of the year or of a nature such that cash income will be largely deferred for a period in excess of twelve months.

D The necessity of devoting the early years to soil improvement and other operations on which the major returns to the borrower will be deferred.

III **NOTES AND OTHER SECURITY:** In general, the approval of a standard RR loan in the first instance, or a renewal thereof, will be predicated on the probabilities of orderly repayment of the loan on the basis of farm income produced in accordance with the original "Farm and Home Management Plan", or a revision thereof, rather than the security available --- either chattel or real. However, it is the policy of the FSA to take a first lien on sufficient available property to secure FSA standard RR loans or renewals thereof, and to safeguard the financial status of the client during the process of rehabilitation.

A Standard RR loans will be evidenced by one or more Promissory Notes, Form FSA-LE 31_____, payable to the United States of America. One Note shall be taken in the amount of each advance and the terms of repayment thereof shall coincide with or fit into the schedule of repayments in the Loan Agreement. Advances to the client may be made in one payment or in a series of payments usually not to exceed two in number, timed as nearly as is practicable to the dates when the money will actually be needed by him.

B Standard RR loans will be secured in the full amount of the loan by a first lien on the crops growing, or to be grown by the borrower and a first lien on any livestock or equipment purchased with the proceeds of the loan. The basic form to be used in obtaining this security is Form FSA-LE 50____, "Crop and Chattel Mortgage". When additional security is required or desirable because of the nature of the loan, there may also be taken on Form FSA-LE 50, "Assignment of the Proceeds from the Sale of Agricultural Products", an assignment of the proceeds from the sale of the farm, dairy or other agricultural products or a lien on other personal property (to be included in Form FSA-LE 50____), or a real estate mortgage or deed of trust on property owned by the borrower on Form FSA-LE 76____ or an assignment of a lease hold in states where the regional office advises that such security under the state law will give the Government substantial security, without danger of liability under the lease together with a lien on the improvements erected in conformance with the lease-hold contract, when such improvements are financed by the FSA.

C In the case of renewals where adequate chattel mortgage security on property or a lien on crops cannot be furnished by the borrower, additional security may be taken in the form of a mortgage or similar lien on all or any part of real property owned by the borrower.

D The regional director may, upon the advice of the Solicitor, and with the approval of the Director of the RR Division, prescribe other types of security where local law or the individual situation of the borrower makes a different form or type of security more applicable.

IX (cont.)

E In areas where local law gives the landlord a prior lien on crops and it is impossible to secure a subordination from him, the best lien obtainable will be taken. In those instances in which a lien prior to that of the FSA is about to mature or has matured, and the holder of such a lien desires to extend or renew the obligation, a subordination agreement may be executed by the regional director to preserve the priority of such lien, providing the relative position of the FSA lien is maintained, and the repayment of the FSA loan is not thereby jeopardized. In all other cases it is the policy of the FSA not to subordinate FSA liens to either Federal or non-Federal agencies or individuals. In particular, it is contrary to FSA policy to subordinate FSA liens in order to permit clients to obtain credit from outside sources. As a general rule, it is considered that the rehabilitation of the client can best be achieved by providing all his credit needs from FSA funds during the period of his rehabilitation. Exceptions to the foregoing policy may be granted only upon written authority of the Director of the RR Division. After such authority has been given, the regional director may prepare and execute the subordination agreement. (Rev. 12-2-39)

X EXECUTING, RECORDING AND FILING OF SECURING DOCUMENTS:

A County RR supervisors are authorized to execute any legal instruments necessary or desirable to obtain security for loans, including mortgages and similar lien instruments (where the holder of a mortgage or other lien is required to execute the instrument) and affidavits, acknowledgments and other certifications (where the mortgagee must execute such a certification under state law). County RR supervisors are authorized to act as agents and attorneys-in-fact for the United States, the Secretary of Agriculture, and the FSA in executing such instruments.

E County RR supervisors are authorized to accept and file or record instruments or security taken for loans, including mortgages and other lien instruments, subordination and non-disturbance agreements, and leases and assignments thereof, and to execute any instruments necessary or desirable therefor. County RR supervisors are authorized to act as agents and attorneys-in-fact for the United States, the Secretary of Agriculture, and the FSA in performing these functions. Specific instructions as to the procedure followed for each type of instrument used in any state will be issued by the regional office. County RR supervisors will be responsible for recording and filing legal documents within the time limitation set forth under prevailing local statutes.

C Borrowers from the FSA are required to pay statutory fees for recording or filing mortgage, lien or other legal instruments given by them to secure loans made to them by FSA. The client may be required, in addition, to furnish a certificate of priority of such mortgages, liens, or other securing instruments executed by a competent person where such a certificate can be obtained for not more than one dollar (\$1.00). County RR supervisors will be expected, at the time of delivery of the loan checks, to collect from the borrowers the recording and filing fees described above.

D Where loans are renewed in order to preserve the FSA's security and the borrower is without financial resources, the cost of filing and recording necessary security and legal instruments may be paid by means of Standard Form No. 1034, "Public Voucher for Purchases and Services Other than Personal." Loans owing to state RR corporation trust funds may be protected in like manner and the recording costs of security instruments may be paid by Vouchers drawn against the special trust fund.

XI SUPERVISED BANK ACCOUNTS:

A When the full amount of the loan or a portion thereof is paid to the client in advance of the date actually needed by him, the county RR supervisor or associate county RR supervisor for cases under his assigned supervision may, in order to provide assurance that the funds will be used for the purposes set forth in the Loan Agreement, require that the unused portion of the check shall be deposited in the bank to the credit of the borrower, subject to withdrawal on the counter-signature of the county RR supervisor or associate county RR supervisor for cases under his assigned supervision. Such funds must be deposited in banks carrying Federal deposit insurance. (Rev. 3-27-39)

(cont.)

In supervising the expenditure of loan funds by clients or the expenditure of proceeds of the sale of mortgaged property, or any other funds of a client, the county RR supervisor should not accept such funds himself except where money is tendered in payment of a loan or for recording or filing fees to the extent permitted by the paragraph on the executing, recording and filing of security documents. Necessary supervision over the clients' expenditure of funds should be exercised by means of a counter-signature bank account established by the use of Form FSA-LE 192, "Deposit Agreement". If, despite these instructions and previous instructions to the same effect, any county RR supervisor should accept clients' funds or make improper use of the approved deposit agreement procedure, and lose or divert such funds to improper uses, the county RR supervisor will be held absolutely accountable to the Government in the same way that he is held accountable for loan collections. Clients who entrust their funds to county RR supervisors in their official capacity will be credited on their loan accounts for any amounts thus lost or diverted and the FSA will proceed against the county RR supervisor for such accounts. (Added 9-30-39)

XII LOAN PROCEDURE:

A **Preliminary Investigation** Form FSA-RR 12, "Application for Rehabilitation", shall be filled out in detail for all new applicants for standard loans. The county RR supervisor will then make a preliminary investigation to determine eligibility and counsel with the county advisory committee, if one exists, on the Application and his investigation thereof.

1 Form FSA-RR 12 shall be prepared in an original and two copies for all loan cases. The original copy shall be signed by the applicant and the county RR supervisor, and be forwarded to the regional office with the loan docket. One copy shall be given to the applicant and one copy shall be retained in the files of the county office.

B **County Office Rejection** If the county RR supervisor rejects the Application, he will notify the applicant (and referring agency, if any) using Form FSA-RR 65, "Discontinuance or Rejection of Case".

C **Farm and Home Plan** If a standard RR loan to the applicant is to be recommended by the county RR supervisor, after counseling with the advisory committee, where one exists, the county RR supervisor will prepare Form FSA-RR 14, "Farm and Home Management Plan", and the RR supervisor will prepare Form FSA-RR 14a, "Farm and Home Management Plan Home Section". During the preparation of the Farm and Home Plans, and prior to recommending a loan, the county RR supervisor will secure the composition, extension, and adjustment of debts which appear necessary to the preparation of sound Farm and Home Plans enlisting the cooperation of the district FDA specialist or the voluntary county FDA committee if required. In all cases where adjustments have been accomplished, Form FSA-RR 89, "Farm Debt Adjustment Individual Case Report", will be prepared in duplicate. The original will be sent to the regional office as a report and the duplicate retained in the office of the county RR supervisor. Where other creditors hold obligations against property, execution on which will endanger rehabilitation of the client and where such obligations cannot or should not be refinanced, suitable subordination or non-disturbance agreements must be obtained and repayment plans must be worked out and agreed to by the creditors to bring the debts within the client's ability to pay out of his income as they become due. Prospective standard loan clients who do not own farms constituting an economic unit, or who do not have suitable tenure arrangements for a productive farm, should be given to understand that it is their responsibility to locate and lease acceptable farms or additional farm land subject to approval by the county RR supervisor. County RR supervisors will assist, where necessary, in negotiations for leases under terms and conditions acceptable to the FSA, but will make it clear that

IX (cont.)

E In areas where local law gives the landlord a prior lien on crops and it is impossible to secure a subordination from him, the best lien obtainable will be taken. In those instances in which a lien prior to that of the FSA is about to mature or has matured, and the holder of such a lien desires to extend or renew the obligation, a subordination agreement may be executed by the regional director to preserve the priority of such lien, providing the relative position of the FSA lien is maintained, and the repayment of the FSA loan is not thereby jeopardized. In all other cases, it is the policy of the FSA not to subordinate FSA liens, to either Federal or non-Federal agencies or individuals. In particular, it is contrary to FSA policy to subordinate FSA liens in order to permit clients to obtain credit from outside sources. As a general rule, it is considered that the rehabilitation of the client can best be achieved by providing all his credit needs from FSA funds during the period of his rehabilitation. Exceptions to the foregoing policy may be granted only upon written authority of the Director of the RR Division. After such authority has been given, the regional director may prepare and execute the subordination agreement. (Rev. 12-2-39)

X EXECUTING, RECORDING AND FILING OF SECURING DOCUMENTS:

A County RR supervisors are authorized to execute any legal instruments necessary or desirable to obtain security for loans, including mortgages and similar lien instruments (where the holder of a mortgage or other lien is required to execute the instrument) and affidavits, acknowledgments and other certifications (where the mortgagee must execute such a certification under state law). County RR supervisors are authorized to act as agents and attorneys-in-fact for the United States, the Secretary of Agriculture, and the FSA in executing such instruments.

B County RR supervisors are authorized to accept and file or record instruments or security taken for loans, including mortgages and other lien instruments, subordination and non-disturbance agreements, and leases and assignments thereof, and to execute any instruments necessary or desirable therefor. County RR supervisors are authorized to act as agents and attorneys-in-fact for the United States, the Secretary of Agriculture, and the FSA in performing these functions. Specific instructions as to the procedure followed for each type of instrument used in any state will be issued by the regional office. County RR supervisors will be responsible for recording and filing legal documents within the time limitation set forth under prevailing local statutes.

C Borrowers from the FSA (or a state RR corporation trust fund) are required to pay statutory fees for recording or filing mortgages, or other legal instruments given to secure loans. Where a new loan or advance is made, the client may, in addition, be required by the regional office to furnish, at his own expense, a certificate of priority of such mortgages, or other security instruments (that is, an abstract of liens filed or recorded against the property to be mortgaged), executed by competent persons, where such a certificate can be obtained for not more than one dollar (\$1.00). County RR supervisors will be expected, at the time of delivery of the loan checks, to collect from the borrowers the recording and filing fees described above. (Rev. 1-20-40)

D Where mortgages are renewed, or where new or additional security is obtained, fees for filing or recording the necessary legal instruments should be collected from the borrower. If the borrower is without financial resources, and such fees cannot be collected from him in advance, the county RR supervisor may pay such fees by means of Standard Form No. 1034, "Public Voucher for Purchases and Services Other than Personal". In cases where local recording officials will not or cannot accept Standard Form No. 1034 in payment of such fees, the county RR supervisor, if specifically

X D (cont.)

authorized in his "Letter of Authorization", may pay such fees in cash and obtain reimbursement by means of a separate Standard Form No. 1012, "Voucher for Per Diem and/or Reimbursement of Expenses Incident to Official Travel". Where payment of recording or filing fees is made by means of Standard Form No. 1034, or where the fee is paid in cash and reimbursement is sought through Standard Form No. 1012, the Voucher, in either case, should contain instructions that the amount of such fee should be charged to the account of the borrower for whom the fee has been paid. Such claims for reimbursement must not be included on the same Voucher as claims for mileage and per diem reimbursements, and will be submitted in an original and three copies. Wherever possible, the county RR supervisor must avoid paying recording and filing fees in cash and seeking reimbursement through Standard Form No. 1012 because of the additional cost incident to the transfer of such charges to the borrower's account when they are paid in this way. (Certificates of priority, where they are required when mortgages are renewed or when new or additional security is obtained and such certificates are not prepared by county RR supervisors, may be authorized and paid for as above, but costs of such certificates are not chargeable against the borrower.) The foregoing will apply to debts owing to state RR corporation trust funds, in the same manner as to FSA loans. (Rev. 1-20-40)

XI SUPERVISED BANK ACCOUNTS:

A When the full amount of the loan or a portion thereof is paid to the client in advance of the date actually needed by him, the county RR supervisor or associate county RR supervisor for cases under his assigned supervision may, in order to provide assurance that the funds will be used for the purposes set forth in the Loan Agreement, require that the unused portion of the check shall be deposited in the bank to the credit of the borrower, subject to withdrawal on the counter-signature of the county RR supervisor or associate county RR supervisor for cases under his assigned supervision. Such funds must be deposited in banks carrying Federal Deposit Insurance. (Rev. 3-27-39)

B In supervising the expenditure of loan funds by clients or the expenditure of proceeds of the sale of mortgaged property, or any other funds of a client, the county RR supervisor should not accept such funds himself except where money is tendered in payment of a loan or for recording or filing fees to the extent permitted by the paragraph on the executing, recording and filing of security documents. Necessary supervision over the clients' expenditure of funds should be exercised by means of a counter-signature bank account established by the use of Form FSA-LE 192, "Deposit Agreement". If, despite these instructions and previous instructions to the same effect, any county RR supervisor should accept clients' funds or make improper use of the approved deposit agreement procedure, and lose or divert such funds to improper uses, the county RR supervisor will be held absolutely accountable to the Government in the same way that he is held accountable for loan collections. Clients who entrust their funds to county RR supervisors in their official capacity will be credited on their loan accounts for any amounts thus lost or diverted and the FSA will proceed against the county RR supervisor for such accounts. (Added 9-30-39)

XII LOAN PROCEDURE:

A **Preliminary Investigation.** Form FSA-RR 12, "Application for Rehabilitation", shall be filled out in detail for all new applicants for standard loans. The county RR supervisor will then make a preliminary investigation to determine eligibility and counsel with the county advisory committee, if one exists, on the Application and his investigation thereof.

1 Form FSA-RR 12 shall be prepared in an original and two copies for all loan cases. The original copy shall be signed by the applicant and the county RR supervisor, and be forwarded to

XII A 1 (cont.)

the regional office with the loan docket. One copy shall be given to the applicant and one copy shall be retained in the files of the county office.

B County Office Rejection. If the county RR supervisor rejects the Application, he will notify the applicant (and referring agency, if any) using Form FSA-RR 65, "Discontinuance or Rejection of Case".

C Farm and Home Plan. If a standard RR loan to the applicant is to be recommended by the county RR supervisor, after counseling with the advisory committee, where one exists, the county RR supervisor will prepare Form FSA RR 14, "Farm and Home Management Plan", and the HM supervisor will prepare Form FSA RR 14a, "Farm and Home Management Plan - Home Section". During the preparation of the Farm and Home Plans, and prior to recommending a loan, the county RR supervisor will secure the composition, extension, and adjustment of debts which appear necessary to the preparation of sound Farm and Home Plans enlisting the cooperation of the district FDA specialist or the voluntary county FDA committee if required. In all cases where adjustments have been accomplished, Form FSA-RR 89, "Farm Debt Adjustment Individual Case Report", will be prepared in duplicate. The original will be sent to the regional office as a report and the duplicate retained in the office of the county RR supervisor. Where other creditors hold obligations against property, execution on which will endanger rehabilitation of the client and where such obligations cannot or should not be refinanced, suitable subordination or non disturbance agreements must be obtained and repayment plans must be worked out and agreed to by the creditors to bring the debts within the client's ability to pay out of his income as they become due. Prospective standard loan clients who do not own farms constituting an economic unit, or who do not have suitable tenure arrangements for a productive farm, should be given to understand that it is their responsibility to locate and lease acceptable farms or additional farm land subject to approval by the county RR supervisor. County RR supervisors will assist, where necessary, in negotiations for leases under terms and conditions acceptable to the FSA, but will make it clear that

XII C (cont.)

the Government assumes no responsibility for performance of the terms of the lease by the tenant. Security of tenure must be emphasized and landlords encouraged to give written leases, covering the period of the loan, or leases with renewable or continuing clauses which provide compensation features for improvements to be made by clients. Farms to be acceptable to the FSA must be of a size and character that will permit successful operation. (Rev. 12-2-39)

D Loan Agreement and Voucher. Having developed satisfactory Farm and Home Plans, the county RR supervisor will prepare Form FSA-RR 15, "Loan Agreement and Request for Funds", in an amount sufficient to further the progress of the client toward rehabilitation in accordance with Farm and Home Management Plans which give careful consideration to all available FSA services and the needs of the farm family enterprise, with a loan advance scheduled for disbursement before June 30 of the current fiscal year. Form FSA FI 5, "Public Voucher - Farm Security Administration Loan", will be prepared and executed at the same time.

1 Form FSA-RR 15 shall be prepared in an original and four copies. The original and three copies shall be signed by the applicant and the county RR supervisor, unless otherwise instructed by the regional office, and the original and two copies shall accompany the loan docket. A copy shall be given the applicant and a copy shall be retained in the files of the county office. (An additional copy of Form FSA-RR 15 will be prepared and included in the loan docket where the Loan Agreement calls for more than one advance.) (Rev. 1-24-40)

2 Form FSA FI 5 shall be prepared in an original and four copies. The original shall be signed by the applicant and the original and all four copies shall be forwarded with the loan docket. (Rev. 1-24-40)

E Notes. The county RR supervisor will prepare and have signed by the client and his wife an undated note Form FSA-LE 31, "Promissory Note", for the amount of the advance specified in the vouchers with terms of repayment consistent with the schedule of repayments set up in the Loan Agreement. The repayment dates should be uniform by farming areas, based on average harvest and sales dates in order to facilitate billing of clients. He will then prepare the completed and executed loan docket for distribution as directed by the regional office.

1 Form FSA-LE 31, shall be prepared in an original and three copies. The original only shall be signed by the applicant and his wife, one copy shall be given to the applicant, the original and one copy shall be forwarded with the loan docket, and one copy shall be retained in the county office. (Rev. 1-24-40)

F Security. Certain security documents used in a few states must be executed and filed or recorded before the funds are advanced (for example, usually in the case of crop or seed loans). Regional instructions will be issued where such procedure is necessary. In such cases, the executed security document should be a part of the loan docket. In other cases, the security cannot be taken until the funds are advanced. In such cases, the security documents should be prepared for signature by the client and should be made a part of the loan docket. If the security cannot be taken until after the client receives the funds advanced (for example, a mortgage upon chattels to be purchased with the loan proceeds), the security should be obtained as soon as possible and the original or a signed copy of the security document shall be forwarded promptly to the regional office. The county RR supervisor should be careful to insert in the future advance clauses in the Crop and Chattel Mortgage, Form FSA-LE 30, the full amount to be advanced in the future under the terms of the Loan Agreement.

1 The security documents, Form FSA-LE 30, "Crop and Chattel Mortgage" Form FSA-LE 80, "Assignment of Proceeds from the Sale of Agricultural Products", or any other documents used as security, shall be prepared in the original and three copies (one additional copy of Form FSA-LE 80 shall be prepared for the purchaser) In cases where the security documents must be executed and

XII F 1 (cont.)

filed or recorded before the funds are advanced. the original and one copy shall be signed by the client and his wife. The signed copy (or the original, if required) shall be filed or recorded as directed in instructions from the regional office for the particular county involved. The original or signed copy, whichever is not required by the county clerk, shall be forwarded to the regional office with notation thereon of filing or recording information (place, time, and file, book and page or document number). In cases where the security documents cannot be signed and filed or recorded until the advance is received by the client or thereafter, the original and all copies shall be forwarded to the regional office as a part of the loan docket.

G **Submitting Recommendation.** The documents required for submission will be assembled and forwarded to the regional office. Where required by regional procedure, the district RR supervisor will review the submission prior to forwarding to the regional office.

H **Regional Directors' Authority to Accept Loan Cases.** The acceptance of standard loan cases and the making and approving of loans in their behalf are administrative functions reserved to regional directors and their properly authorized representatives. The method of analyzing and authority to approve standard loans on the basis of Farm and Home Management Plans are, therefore, matters for determination by regional directors and may vary from approval in a regional Loan and Renewal Approval unit to approval of the Farm and Home Management Plan as to soundness and recommendation of the loan in county offices by qualified district RR supervisors with appropriate review, on a sample basis, by state and regional Farm Management specialists to insure a reasonable degree of uniformity in standards and procedure. (Decentralization of this function is desirable as rapidly as qualified personnel can assume this responsibility. Because of the variation by regions in analysis and approval of loans, this point should be covered by special instructions to the field from each regional office.) (Rev. 1-24-40)

I **Regional Office Rejection or Revision.** When a "Farm and Home Management Plan" is rejected, all legal documents in connection with the docket will be returned to the county RR supervisor with a full statement of the reasons for rejection on the check sheet. The county RR supervisor will return the legal documents to the applicant, notifying him (and the referring agency, if any) of the rejection, using Form FSA-RR 65, "Discontinuance or Rejection of Case". Rejection for a standard loan does not necessarily render the applicant ineligible for an emergency loan or grant, or for a standard loan on the basis of revised Farm and Home Management Plans. When a "Farm and Home Management Plan" requires revision, the documents requiring revision, together with full instructions on the check sheet, will be returned to the county RR supervisor.

XIII **ACTION UPON APPROVAL OF LOAN:**

A **Notification of Approval.** If the loan is given final approval by the regional director (or his authorized representative), he will indicate on the check sheet conditions of approval, if any, with instructions for meeting these conditions; list security instruments and other documents required; and forward with the appropriate documents to the county RR supervisor.

Note: Full instructions regarding the kind of security instrument to be taken in the various states and on the manner in which they are to be filled out will be issued by the regional office.

B **Receipt of Loan Checks.** County RR supervisors have been designated as agents of the U. S. Treasury Disbursing officers for the purpose of distributing RR loan checks to clients. All Vouchers, Form FSA-FI 5, should contain instructions to the effect that the checks should be mailed to the county RR supervisor. Checks will be received in bulk (not in separate envelope) addressed to the county RR supervisor accompanied by copies of the Vouchers, Form FSA-FI 5. All envelopes will be opened by the county RR supervisor and the check or checks compared with the accompanying voucher copies in accordance with instructions contained in Treasury Form No. 1725, "Receipt for Checks". Treasury Form No. 1725 will be signed by the county RR supervisor, or in his name by a bonded employee in the county office (for example: John Doe, County RR Supervisor, By Richard Roe, Assistant County RR Supervisor), and returned immediately to the appropriate U. S. Treasury Disbursing office. (Rev. 12-2-39)

XIII (cont.)

C Check Delivery Upon receipt of a check, the county RR supervisor will promptly notify the client indicating where and when he may expect delivery of the check. He will also indicate to the client the nature of purchases to be made from proceeds of the check in conformity with the Loan Agreement, arranging if possible for purchase of capital goods, inspection and approval of same on a specified date so that securing instruments with adequate descriptions of chattels may be executed at time of delivery of checks. Securing instruments properly executed will be filed or recorded and forwarded to the regional director for safe keeping. All checks should be delivered as promptly as possible, and Treasury Form No. 1725-A signed and returned to the appropriate U S Treasury Disbursing office not later than 21 days from the date on the checks. Only bonded employees in the county office may sign Treasury Forms Nos. 1725 and 1725-A. The transmittal dates of these Forms will be entered on Treasury Form No. 1725-B, which will be retained in the county office. (Renumbered and revised 12-2-39)

D Undeliverable Checks If for any reason one or more checks cannot be delivered within 21 days from the date thereon, they will be returned to the appropriate U S Treasury Disbursing office attached to Treasury Form No. 1725-A, upon which the reasons for the return and instructions for disposition of the checks and encumbrances will be stated. (Renumbered and revised 12-2-39)

E Filing or Recording Security Documents Upon receipt of approval of the loan and delivery of the check to the client, the county RR supervisor will secure the signature of the client and his wife upon the security documents listed in the notification of approval. The security documents will be filed or recorded in accordance with instructions issued by the regional office.

F Supervised Bank Accounts Where the purchase of capital goods must be delayed beyond the date of delivery of the check, or the check is received in advance of the date actually needed, the county RR supervisor or associate county RR supervisor for cases under his assigned supervision, may in order to provide assurance that funds will be used in accordance with the Loan Agreement, set up a supervised bank account, using Form FSA-LE 192, Rev. 9-15-38, "Deposit Agreement", the funds in which will be subject to withdrawal only on the signature of the borrower and counter-signature of the county RR supervisor or associate county RR supervisor for cases under his assigned supervision. An original and three copies of the Agreement shall be prepared and executed by the client, the bank and the county RR supervisor or associate county RR supervisor for cases under his assigned supervision. The original shall be retained by the bank, a copy shall be given the client, a copy shall be forwarded to the regional office, and a copy shall be retained in the county office files. When the loan funds have been deposited to the supervised bank account of the client, the county RR supervisor or associate county RR supervisor for cases under his supervision will maintain a record of all deposits and withdrawals on Form FSA-RR 188, "Statement of Deposits and Withdrawals", (or other approved form). Such records will be verified periodically by the district or administrative RR supervisor. (Rev. 3-27-39).

G Subsequent Advances Regional offices will indicate desired procedure for handling subsequent advances provided for in the Loan Agreement.

H Supplemental Loans Should it become evident that the clients needs will be greater than the loan provided for, one or more supplemental Loan Agreements may be prepared covering such additional needs, cleared and approved in the same manner as the original agreement, providing the original Farm and Home Plan or a revised Farm and Home Plan shows sufficient income to repay the increased indebtedness.

XIII (cont.)

I **Reduction of Loan.** Similarly, if it develops that the entire approved loan is not needed, portions of the loan for which vouchers have not yet been submitted, may be canceled by revising the Loan Agreement, setting forth the reduced total, dates and amounts of advances, and revised schedules of repayments. The revised Loan Agreement should be clearly marked as such and be signed by the client. The schedule of advances may be varied both as to dates and amounts (within the total amount approved) by revision and submission of the Voucher, Form FSA-FI 5, which will indicate clearly in the "Statement of Accounts", the revised arrangement. Procedure for cancelation of encumbrances for administrative reasons will be furnished by the regional office.

LOANS TO PARTICIPATE IN THE ACTIVITIES OF 4-H CLUBS AND SIMILAR ORGANIZATIONS

I GENERAL:

A Loans not exceeding seventy five dollars (\$75) may be made jointly to clients and their minor children for the benefit of the latter to finance participation in the activities of 4-H clubs or similar organizations. It will be expected that the majority of these loans will be for less than fifty dollars (\$50). These loans will be referred to as club loans.

B Club loans will be used, ordinarily, to purchase a calf, a pig, chickens, or other live stock but they may likewise be used to purchase seed, plants, fertilizer, and so forth, where these are to be used in connection with types of projects approved by the county extension agent.

C Loans for participation in 4-H club activities will be submitted with the concurrence of the county extension agent and only when the county RR supervisor and the county extension agent are satisfied that the boy or girl can use the loan properly and profitably.

D In case of loans for members of organizations other than 4-H clubs, the recommendation and concurrence of the local supervisors of that organization will be obtained in a similar manner.

E Wherever possible, club loans should be made as a part of original or supplemental standard RR loans so as to avoid the preparation of separate loan dockets for these small loans, but they may be made as separate loans in which case they will be considered supplements to standard loans.

F For every club loan it is essential that a separate note be prepared and signed by both the client and club member and that a separate check be issued in favor of the client and club member. The purpose is to create a sense of responsibility in the club member and to develop his initiative and self-reliance. Club members should be made to feel that these loans are their own separate obligations and that they are fully responsible for repaying them.

G The routine for making club loans will be generally the same as for standard loans and the same forms with minor changes, if necessary, will be used.

II CLUB LOANS WHICH ARE A PART OF STANDARD LOANS:

A If the club loan is a part of an original or supplemental standard RR loan, a separate Farm Plan will not be necessary, but the client's Farm Plan will indicate how the club loan will be used and repaid.

B No separate Loan Agreement will be necessary, but there must be a separate note for the club loan. The club loan will be listed on the Loan Agreement as a separate advance. The Loan Agreement will show only the client as the borrower, but the separate note for the club loan will show both the client and the club member as the obligors.

C It will be necessary to prepare a separate voucher in the amount of the club loan in order to have this advance paid by separate check in favor of the client and the club member.

DISTRIBUTION: A, F, J, JJ and M

Rehabilitation
Standard Methods
Standard Loans

11 (Cont.)

D A separate mortgage for the club loan will not be necessary. If the entire indebtedness is adequately secured without taking a lien on the livestock purchased with a club loan, it is suggested that these chattels be omitted from the lien of the mortgage. If the security is inadequate, however, such livestock should be listed in the mortgage and the mortgage should be signed by the club member, as well as by the client.

111 CLUB LOANS MADE SEPARATELY:

A When a club loan is made separately from an original or supplemental standard RR loan, the Loan Agreement will be signed by the client and club member and will be supported by a Farm or Home Plan, as the case may be, showing how the loan funds will be used and repaid.

B It will, of course, be necessary to secure a separate club loan by a mortgage, signed by the client and club member, on the chattels purchased with the proceeds of the loan.

1V IDENTIFICATION OF CLUB LOANS: In all cases the club loans will be identified in accounts, on vouchers and check sheets by separate suffixes. They will appear as separate items on bills so that club members may readily ascertain the status of the parts of loans for which they are responsible. On Form FSA Gen 131 "Case Record Card" such loans should be identified by a white signal marked "H". This signal will be placed in the "F" position and moved to the county number position when the club loan has been repaid. By marking the suffix number assigned to the loan on the upper end of the white signal, the status of the club loan can be easily determined by reference to the bill.

FARM TENURE IMPROVEMENT PROGRAM
CRITERIA AND COUNTY OFFICE ROUTINE

I THE PROBLEM OF INSECURE TENURE AND THE INTEREST OF FSA:

A Unsatisfactory and insecure tenure has contributed to the distress and need for emergency aid on the part of many rehabilitation clients; has retarded and may prevent their successful rehabilitation; or, even after successful rehabilitation, may cause recurring distress which will necessitate additional loans and grants at different intervals.

B Farm and Home Management Plans for rehabilitation are usually developed on the assumption that the client will remain upon the farm for the period of the rehabilitation loan. Insecure or unsatisfactory farm tenure arrangements may result in termination of tenure on the particular farm and may prevent or retard successful rehabilitation in accordance with the plans developed.

C For the above reasons, the FSA has a proper interest in the farm tenure arrangements of existing or potential RR clients and is justified in requiring that such arrangements are equitable and satisfactory and provide reasonable security of tenure for tenant farmers to whom it makes rehabilitation loans. Such tenure arrangements will usually be of mutual advantage to both tenants and landlords.

D Therefore, it is the purpose of this Instruction to outline the policies and procedure for accomplishing the improvement of farm tenure arrangements of RR clients who are tenant farmers, and of other low-income tenant farmers who are potential applicants for RR loans.

II POLICY:

A Tenure Improvement Program. The FSA will conduct a systematic program designed to provide more equitable and secure tenure arrangements for the mutual benefit of both tenants and landlords. This activity will apply to RR clients (FSA and state RR corporation) and to applicants or potential applicants of RR loans.

B Approval of Tenure Arrangements - Existing RR Clients. Farm Security Administration employees will use every reasonable and practicable means to promote improved tenure and leasing arrangements for existing RR clients and especially in connection with applications for supplemental loans. County RR supervisors will inquire into the tenure arrangements of applicants for such loans as part of the procedure in the preparation and recommendation of loan applications. However, additional loans or other aid to existing RR clients, except loans for permanent improvements, will not be withheld solely because of the client's inability to procure a written lease if satisfactory conditions and reasonable security of tenure can be provided otherwise.

C Approval of Tenure Arrangements - New or Prospective RR Clients. County RR supervisors will inquire into the tenure arrangements of all new tenant farmer applicants for standard RR loans as part of the procedure in the preparation and recommendation of loan applications. The regional office will not approve such a loan to a new or prospective RR client unless the loan application is accompanied by a lease which provides equitable tenure arrangements and gives the tenant reasonable security of tenure. The lease must be on an approved FSA lease form, or in special cases, on another form acceptable to the regional director or his delegatee. However, in special cases, it is the judgment of

DISTRIBUTION: A, J, and M.

Rehabilitation
Standard Methods
Tenure Improvement

II C (cont.)

the regional director or his delegatee that injustice would be done an applicant, and, if satisfactory conditions and reasonable security of tenure can be provided otherwise, the foregoing requirements may be waived upon written recommendation of the county RR supervisor, except in connection with loans for permanent improvements.

D Loans for Permanent Improvements. An RR loan for making permanent improvements on a leased farm will not be made to the tenant farmer unless he has a written lease which provides definite security of tenure until he has received full benefit of the improvements, or which provides that he will be equitably compensated for such improvements if the lease is terminated or expires before full benefit of the improvements is realized or unless there is a definite agreement between the tenant and the landlord by which the tenant will be compensated or credited on rent for expenditures in making such improvements.

E Community and Cooperative Loans. Applications for community or cooperative loans to individuals should conform insofar as possible to the same general policy of security of tenure for the period of the loans as is required for standard RR loans. There should be reasonable security of tenure for the period of the loans to insure borrowers and participants continued benefit of the services. As a general rule, approval of community and cooperative loans will not be withheld solely because of the client's inability to secure acceptable tenure arrangements. However, efforts will be made to obtain the most favorable tenure arrangements possible.

F Tenure Improvement for Low-income Farmers Who are not RR Clients. Upon request, other low-income tenant farmers who are potential applicants for RR loans, and their landlords, may be furnished approved lease forms and be given assistance through the tenure improvement program in working out satisfactory tenure arrangements.

III ROUTINE:

A Lease Forms. Supplies of approved FSA leases, Form FSA-RR 186.____, "Flexible Farm Lease", which differ in accordance with the requirements of the various states in which they are used will be furnished to county RR supervisors with necessary instructions by the regional offices. County RR supervisors will make the approved FSA lease forms available to standard RR clients and applicants and, upon request, to other low-income tenant farmers who are potential applicants, and to the landlords of such tenant farmers.

B Reports. As a part of the record of each RR client or applicant, the county RR supervisor will file in his office a copy of the lease signed by each client or applicant with his landlord, and will maintain an adequate record of the tenure rates and arrangements. Each regional office, in examining each application for a rehabilitation loan, will make record of the following facts with reference to tenure arrangements: (1) Whether there is a signed lease; (2) whether approved FSA lease form or other acceptable form is used; and (3) term of years for which lease is effective. Reports will be made by regional offices and upon request by field workers which will indicate the tenure arrangements of rehabilitation clients and general progress and results of the Tenure Improvement program.

FARM DEBT ADJUSTMENT PROGRAM
CRITERIA AND COUNTY OFFICE ROUTINE

I PURPOSE: The FDA program is an organized effort to provide facilities for adjusting on a voluntary basis farmers' excessive debts to conform with their capacity to pay.

II DEFINITION OF DEBT ADJUSTMENT: Any agreement, compromise, or settlement between a farm debtor and his creditors which gives the debtor a reasonable opportunity to meet his debts and continue farming is considered an adjustment.

III POLICY:

A It is the policy of the FSA to facilitate by impartial mediation the adjustment of excessive debts of farmers; to encourage and assist voluntary state and county FDA committees in their efforts to make such adjustments, and to render FDA service without charge of any kind to the debtor or his creditors.

B In general, loans may not be made to refinance outstanding debts, except as specifically authorized under the provisions dealing with the purposes for which standard loans may be made.

C It is not the policy of the FSA to encourage or assist any person to avoid payment of bona fide debts within his ability to repay. It is expected that each debtor shall meet his obligations to the limit of his ability.

IV Persons eligible for FDA service are:

A RR clients and other farm owners, farm tenants, farm laborers, or sharecroppers who:

- 1 Are indebted beyond their ability to repay.
- 2 Carry an excessive burden of debt by depriving themselves and their families of necessary subsistence.
- 3 Need assistance in making arrangements with their creditors for more equitable or longer term repayment schedules.
- 4 Are in need of advice or assistance concerning agricultural refinancing.

B Creditors of the persons listed above.

V VOLUNTARY FARM DEBT ADJUSTMENT COMMITTEES: Voluntary state and county FDA committees have been set up in each state to devise means to adjust debts and to act as mediators between debtor and creditor interests. Their services and influence have been very helpful to RR and FDA personnel in adjusting debts of farmers. The members of these committees are neither employees of the FSA nor responsible to the FSA. They serve without salary although through the FSA a limited amount of money has been provided for partial reimbursement for expenses incurred by them while actually engaged in FDA work.

V (cont.)

A The detail procedure for the employment, partial reimbursement, and other administrative services in connection with these committees is given in other instructions appropriately captioned.

VI GENERAL APPROACH TO FARMERS' EXCESSIVE DEBT PROBLEM:

A Farm Debt Adjustment for Prospective RR Clients. Whenever it appears that the debts of a prospective standard RR client are excessive or creditors are pressing for settlement, it shall be the duty of the county RR supervisor to make the adjustment necessary to insure the soundness of the Farm Management Plan prior to recommending a standard RR loan. If the county RR supervisor is unable to make the necessary adjustment unaided, he may request the assistance of the county FDA committee or the person designated as responsible for the FDA program in the FDA district in which the county is located. The debts of a prospective RR client shall be deemed to be excessive when it is shown by the preparation of a sound Farm Management Plan that the client will be unable to meet his obligations as they mature and, at the same time, support his family on a basis consistent with acceptable standards in the community, continue farming operations as provided in the Farm Management Plan, and repay the RR loan.

B Farm Debt Adjustment for Other Farmers and Creditors. While it is impossible to outline definite procedure for the handling of FDA cases, it is recommended that the entire debt structure be analyzed and compared with the possibilities for debt retirement. If refinancing is necessary, the applicant for FDA service should be assisted in securing such refinancing and in putting his affairs in shape for the acceptance of any reasonable commitment he is able to secure. If an extension of time or lower interest rate will solve his problem, he should be assisted in securing them. Generally speaking, FDA service shall be considered to have been rendered only when the remaining outstanding debt can be repaid by the debtor in accordance with the terms of the agreement.

VII METHODS OF ADJUSTING DEBTS: The method or methods to be employed in adjusting debts in each case will be determined by the parties interested in the case and the FDA committee or FSA personnel assisting in the settlement.

A Debt Reduction. An adjustment by debt reduction is deemed to have been accomplished when the amount a debtor is obligated to pay to his creditors has been lowered by voluntary agreement, settlement or compromise to an amount which the debtor may reasonably be expected to pay, considering the resources at his command and his future earning capacity.

B Interest Rate Reduction. An adjustment by interest rate reduction shall not be deemed to have been accomplished when interest rate reduction is merely incidental to the refinancing of a debt, but when the rate of interest a debtor is obligated to pay to his creditors has been reduced by voluntary agreement to a rate which gives the debtor a reasonable chance to pay all of his debts, an adjustment by interest rate reduction is deemed to have been accomplished provided:

1 The interest rate reduction is the principal factor in bringing the debtor's obligations within his ability to pay.

2 The creditor (or creditors) granting the reduction continue a creditor relationship to the debtor (which existed prior to the adjustment) after the adjustment.

VII (cont.)

C Extension. An adjustment by extension is deemed to have been accomplished when the maturity of a debtor's obligation or obligations has been postponed or put forward by voluntary agreement with his creditors for a sufficient length of time to give the debtor a reasonable opportunity to meet all his debts as they become due.

1 Non-disturbance or subordination agreements given by creditors of RR clients for the purpose of insuring a repayment of FSA loans are often necessary and should be obtained. However, they should not be included in reports of adjusted cases.

2 Short-time extensions from creditors of RR clients are sometimes necessary to allow the completion of an FSA loan, part of the proceeds of which are to be used to pay off those creditors. FSA personnel should assist whenever necessary in obtaining such extensions. Extensions of this kind should not be included in reports of adjusted cases.

D Other Methods of Adjustment. Adjustments may be accomplished by other methods which give a debtor a reasonable opportunity to pay his debts as they mature and continue his farming operations as the result of a voluntary agreement, settlement, or compromise with his creditors. A few of the more common of these methods are as follows:

1 Conveyance by debtor to creditor of a portion of his property in consideration of a release of all obligations by the creditor, leaving the balance of the property in the debtor's possession free of encumbrances.

2 Lease of property to debtor by creditor after foreclosure with option to repurchase which will give debtor a reasonable chance to recover property.

3 Sale of a portion of property by debtor for a sufficient amount to enable him to meet his debts, leaving the balance of the property for farming operations.

4 Securing of refinancing loan for the debtor under circumstances where the debtor would have been unable to obtain credit through his own efforts. (Note: The mere referral of a debtor to a lending agency is not considered an adjustment, even though the debtor secures a loan which makes it possible for him to meet his obligations as they mature and continue his farming operations.)

5 Securing an increase in the amount of a refinancing loan already granted where the debtor would have been unable to obtain same through his own efforts, provided the increased commitment is the principal factor in effecting the adjustment.

E Combination of Methods of Adjustment. An adjustment by any combination of methods is considered to have been accomplished when the debtor has been provided with a reasonable opportunity to meet his obligations as they mature and continue his farming operations.

VIII FARM DEBT ADJUSTMENT REPORTS:

A Form FSA-RR 89, "Farm-Debt Adjustment Individual Case Report", will be used as a work sheet and a case report on each case considered by FDA committees or by FSA personnel. It should be filled

VIII A (cont.)

out as fully as possible when the case is opened and additional information should be added as it becomes available. If the case is settled, the information on the work sheet should be copied on blank forms in the necessary number of copies and the original submitted to the regional office as a report. If an adjustment is made in connection with a standard loan application, a copy of the completed Form FSA-RR 89, must be included in the docket. A copy may be retained in the files of the person who prepares the report. If the case is dropped as an unadjusted case, full information should be entered on the work sheet and filed by the person who prepared the work sheet.

B Form FSA-RR 77, "Monthly Report of Cases Pending and Unadjusted Cases Dropped", will be used to keep a record of all unadjusted FDA cases which are pending or have been dropped. As soon as a case is opened, it will be entered on this Form and reentered monthly until adjusted or dropped. Spaces are provided on the Form to show the status of pending cases and the reasons for the inability to adjust those which have been dropped. The person who prepares this Form will sign and date it in the lower margin, submit it monthly to the regional office and retain a copy for his files.

C Form FSA-RR 78, "Monthly Farm Debt Adjustment", provides a means for compiling records and reporting FDA accomplishments by counties. The use of this Form is not required except in those regions in which the regional director or his designee requires its use and issues instructions for its preparation.

APPOINTMENT AND REIMBURSEMENT OF STATE FDA COMMITTEEMEN

I State FSA committeemen are generally designated by the governors of their respective states. Although a formal Federal appointment is not necessary for membership on a state FDA committee, those members who desire compensation for services and reimbursement for expenses incurred in attending meetings must be appointed as Federal employees. Committeemen holding such appointments will be referred to as "appointed" members. Such appointments cannot be made for the purpose of compensating persons already receiving compensation under other Federal appointments, except when such other employment is on a per diem or fee basis for services performed on different days or at different times.

II **APPOINTMENT PROCEDURE:** When a state FDA committeeman desires a Federal appointment in order to obtain compensation for services and reimbursement for expenses, the following steps will be taken:

A The chief of the regional FDA section will obtain and transmit to the regional PE adviser Standard Form No. 6, "Personal History Statement" for each committeeman who is to receive a Federal appointment. Items 7, 9, 10, 11, 13, and 14 on the "Personal History Statement" need not be filled in.

B Form FSA-PE 6, "Personnel Recommendation", will be prepared in an original and three copies by the regional PE adviser for each member of the state FDA committee who is to be appointed, and will show a salary of ten dollars (\$10) per diem when actually employed, but not to exceed twenty dollars (\$20) in any one year. For executive committee members, the salary will be shown as ten dollars (\$10) per diem when actually employed, but not to exceed sixty dollars (\$60) in any one year. Before any payment can be made, the chief of the regional FDA section will have an "Oath of Office" (Standard Form No. 8) executed by each appointed committeeman, after his appointment is approved by the Secretary of Agriculture. The signed and notarized "Oath of Office" will be forwarded promptly by the chief of the regional FDA section to the regional PE adviser to be recorded and transmitted to the Washington office.

III **TRAVEL EXPENSES:** Appointed members of a state FDA committee will be entitled to reimbursement for expense of travel to and from meetings of the state FDA committee (not to exceed two regular FDA committee meetings and four executive committee meetings each fiscal year) at the rate of actual cost of transportation by common carrier. If a committee member travels in his privately-owned automobile, he may, upon proper authorization, be allowed mileage not in excess of three (3¢) cents per mile nor in excess of the comparable cost of first-class transportation by the most economical usually traveled route to and from the meeting. Per diem in lieu of subsistence will not be allowed.

IV **TRAVEL ORDERS:** The chief of the regional FDA section, when advised by the state FDA committee or executive committee of meetings to be held, will request for each appointed committeeman from the regional office manager (the Business Manager in Washington, D. C.) a Letter of Authorization directing travel from the committeeman's designated official station (home) to the appointed place of meeting and return. The travel authorization will specify the method of transportation to be used and will provide for reimbursement in accordance with the paragraph on travel expenses.

DISTRIBUTION: A, H, M, and state FDA supervisors.

V **OBTAINING PAYMENT:**

A Following each meeting of a state FDA committee or executive committee, the state FDA supervisor, or other person delegated for the purpose, will submit to the chief of the regional FDA section a written statement to the effect that a meeting was held (specifying whether a state FDA committee or executive committee meeting), the date on which it was held, and the names of the appointed members present. The chief of the regional FDA section will prepare Form FSA-Gen 106, "Service Certificate" and submit it to the regional FC manager at the close of the month in which the meeting was held. Payments to state FDA committeemen will be made monthly, instead of semi-monthly.

B Immediately after returning home from attendance at a meeting each appointed member will complete Standard Form No. 1012 and 1012a, "Public Voucher for Reimbursement of Travel and Other Expenses Including Per Diem", in an original and two copies (one white and two yellow copies) fully itemizing all expenses of transportation. If travel is performed by common carrier (rail or bus), the Voucher must show the date on which ticket was purchased, the points between which travel was performed, the name or initials of the transportation company, and the amount of the fare. Receipts must be furnished for Pullman accommodations. Receipts should also be secured for all cash fares. If travel is performed by privately-owned automobile, Standard Form No. 1012e must be completed and included with the Voucher.

C When the Voucher has been properly filled out and subscribed to before a postmaster, assistant postmaster or notary public, the committeeman will forward it to the state FDA supervisor. After approving the Voucher, the state FDA supervisor will forward it to the chief of the regional FDA section with the request that it be approved. When the chief of the regional FDA section receives the Voucher, he will approve and forward it for payment through the regular channels.

D State and district FDA supervisors and their clerks, as well as district and county RR supervisors and their clerks will assist state FDA committeemen in the preparation of their travel expense Vouchers.

MONTHLY REPORT OF THE FDA PROGRAM

I Form FSA-RR 78, "Monthly Report of Farm Debt Adjustment Activities". is provided for the consolidation of FDA committee and FDA and county RR supervisors' reports by districts. The regional director or his designee will submit a monthly report on this Form for each FDA or RR district in his region. Preferably the reporting period will be from the first day to the last day of the month. However, the regional director may require that the reporting period begin and end at more suitable times during each calendar month. The report will be prepared in an original and two copies and distributed as follows not later than the sixth business day of each month: Original to Washington, D. C., for the Statistics Section, Finance and Control Division. First copy to Washington, D. C., for the Farm Debt Adjustment Section, Rural Rehabilitation Division. Second copy retained in the regional office.

II **DATA TO BE REPORTED:** The data for the preparation of this Form will be obtained from reports on Form FSA-RR 89, "Farm Debt Adjustment Individual Case Report". and Form FSA-RR 77, "Monthly Report of Cases Pending and Unadjusted Cases Dropped". submitted to the regional director by county FDA committees, FDA and county RR supervisors. No case may be included on Form FSA-RR 78 unless a report on Form FSA-RR 89, "Farm Debt Adjustment Individual Case Report" in the regional office shows that a complete adjustment has been made.

DISTRIBUTION: A.

COMMUNITY AND COOPERATIVE SERVICE LOANS
CRITERIA AND COUNTY OFFICE ROUTINE

I PURPOSE: It is the purpose of community and cooperative service loans to make available to a larger number of RR and low-income families, on a group basis, facilities and services which may be prohibitive or economically inadvisable on a strictly individual basis, and to enable them to utilize technological improvements which would not otherwise be available, and to provide for the maximum use of such facilities and services.

II OBJECTIVE AND LIMITATIONS:

A Loans for the establishment and maintenance of community and cooperative services may be made only to persons who are eligible to receive standard individual loans on the basis of the assistance the loan will give to the rehabilitation of the borrower. The benefits of such services must accrue primarily to RR clients and low-income families or individuals, but other persons may be included as participants in the services in order to bring about the maximum use of a facility or service, to keep down unit costs, and to contribute to the successful operation of the service, provided that such persons shall make a proportionate contribution toward the establishment and maintenance of the facility or service. Beneficial membership in cooperatives for medical care shall be restricted to FSA clients and to persons eligible to become FSA clients.

B Enterprises or Service to be Economically Sound. The enterprise or service shall be economically sound and shall be assured of an adequate volume of business to provide income sufficient to maintain the service, pay operating costs, other necessary expenses, and repay the loan.

C Competent Management of Enterprises or Services. There shall be assurance of competent and responsible management. County RR and district RR supervisors will be expected to maintain close and intelligent supervision over all community and cooperative service loans within the territory assigned them. Careful supervision is equally as important to the success of community and cooperative services as to individuals, and because of the number of individuals involved, a proportionate amount of time should be devoted to supervision to insure the success of the service.

D Participation and Membership Agreements. Participants should understand the service and indicate their agreement to cooperate in the use of the service by signing participation membership or joint ownership agreements, copies of which will become a part of the docket. Loans to one or more individuals for the establishment of a group service or loans to joint borrowers for the establishment of a service shall be supported by simple non-technical joint ownership agreements which shall create a general partnership.

E Restrictions on Associations. The cooperative association shall impose no inequitable restrictions upon membership or participation therein, and its bylaws shall provide that each member shall have only one vote and that, except as the Administrator may rule otherwise with regard to associations to which loans are made, there shall be no voting by proxy. Associations must not pay dividends on stock or membership capital in excess of 8 per cent per annum. The non-member business must not be greater in value than the membership business.

F Avoidance of Duplication of Facilities. Duplication of available existing cooperative facilities shall be avoided.

CONTRIBUTION: A, J and M.

II (cont.)

G Amounts of Loans and Special Requirements.

1 There shall be no minimum limitation on the size of loan made to a standard client.

2 Individual participation loans or group services loans for twenty dollars (\$20) or more and less than fifty dollars (\$50) may be made to low-income families for participation in an approved service without being supported by Farm Plans, Form FSA-RR 14, where such loans will aid in rehabilitation or where such participation will make possible the maximum use of a service or facility.

3 Where the amount of the loan to an individual is fifty dollars (\$50) or more, it shall be supported by a Farm Plan, Form FSA-RR 14, in accordance with the requirements for making standard loans.

4 Participation loans in excess of one hundred dollars (\$100) each made to individuals for the purchase of membership or stock in a cooperative association shall be supported by a complete statement justifying the amount of the loan and indicating conformity to the policies set forth herein.

H "Backdoor" Financing Prohibited. Loans to individuals for participation in an existing cooperative shall not be made under any circumstances where the purpose is actually to bail out a creditor or to refinance an association by the "backdoor" method.

I Tenure Requirements. Tenure arrangements for all individuals securing loans as master borrowers or as joint borrowers to establish a service for the benefit of a group should provide reasonable security of tenure for the period of the loan. The regional director shall prescribe such regulations with reference to the tenure arrangements of such borrowers to accomplish this objective.

J Financial and Operating Reports. Any individual or group of individuals who receive loans shall file with the regional office and with the Community and Cooperative Services Section, RR Division in Washington, periodic, financial and operating reports in such form and at such time as shall be prescribed by the Director of the RR Division.

K Bonding Employees of Associations. Where loans have been made to master borrowers or joint borrowers to serve a group or to a majority of the participants of an association, the regional director shall require, to the extent he deems necessary, the bonding of agents, employees, or officers of the association or service for the faithful performance of their obligation and the proper use of funds.

III TYPES OF LOANS:

A Loans may be made to individuals for participation in an already existing cooperative, or one to be organized, for the payment of a fee, a membership charge, or for the purchase of a share of stock or certificate of indebtedness.

B Individual loans may be made to a group of low-income farmers to enable them to pool the proceeds thereof for the purpose of providing a specific facility or service. (Individuals who wish to join the group and who are ineligible for rehabilitation aid shall use their own funds to make a proportionate contribution to the pool.)

COMMUNITY AND COOPERATIVE SERVICE LOANS
CRITERIA AND COUNTY OFFICE ROUTINE

I PURPOSE: It is the purpose of community and cooperative service loans to make available to a larger number of RR and low-income families, on a group basis, facilities and services which may be prohibitive or economically inadvisable on a strictly individual basis, and to enable them to utilize technological improvements which would not otherwise be available, and to provide for the maximum use of such facilities and services.

II OBJECTIVE AND LIMITATIONS:

A Loans for the establishment and maintenance of community and cooperative services may be made only to persons who are eligible to receive standard individual loans on the basis of the assistance the loan will give to the rehabilitation of the borrower. The benefits of such services must accrue primarily to RR clients and low-income families or individuals, but other persons may be included as participants in the services in order to bring about the maximum use of a facility or service, to keep down unit costs, and to contribute to the successful operation of the service, provided that such persons shall make a proportionate contribution toward the establishment and maintenance of the facility or service. Beneficial membership in cooperatives for medical care shall be restricted to FSA clients and to persons eligible to become FSA clients.

B Enterprises or Service to be Economically Sound. The enterprise or service shall be economically sound and shall be assured of an adequate volume of business to provide income sufficient to maintain the service, pay operating costs, other necessary expenses, and repay the loan.

C Competent Management of Enterprises or Services. There shall be assurance of competent and responsible management. County RR and district RR supervisors will be expected to maintain close and intelligent supervision over all community and cooperative service loans within the territory assigned them. Careful supervision is equally as important to the success of community and cooperative services as to individuals, and because of the number of individuals involved, a proportionate amount of time should be devoted to supervision to insure the success of the service.

D Participation and Membership Agreements. Participants should understand the service and indicate their agreement to cooperate in the use of the service by signing participation membership or joint ownership agreements, copies of which will become a part of the docket. Loans to one or more individuals for the establishment of a group service or loans to joint borrowers for the establishment of a service shall be supported by simple non-technical joint ownership agreements which shall create a general partnership.

E Restrictions on Associations. The cooperative association shall impose no inequitable restrictions upon membership or participation therein, and its bylaws shall provide that each member shall have only one vote and that, except as the Administrator may rule otherwise with regard to associations to which loans are made, there shall be no voting by proxy. Associations must not pay dividends on stock or membership capital in excess of 8 per cent per annum. The non-member business must not be greater in value than the membership business.

F Avoidance of Duplication of Facilities. Duplication of available existing cooperative facilities shall be avoided.

TRIBUTION: A, J and M.

II (cont.)

G Amounts of Loans and Special Requirements.

1 There shall be no minimum limitation on the size of loan made to a standard client.

2 Individual participation loans or group services loans for twenty dollars (\$20) or more and less than fifty dollars (\$50) may be made to low-income families for participation in an approved service without being supported by Farm Plans, Form FSA-RR 14, where such loans will aid in rehabilitation or where such participation will make possible the maximum use of a service or facility.

3 Where the amount of the loan to an individual is fifty dollars (\$50) or more, it shall be supported by a Farm Plan, Form FSA-RR 14, in accordance with the requirements for making standard loans.

4 Participation loans in excess of one hundred dollars (\$100) each made to individuals for the purchase of membership or stock in a cooperative association shall be supported by a complete statement justifying the amount of the loan and indicating conformity to the policies set forth herein.

H "Backdoor" Financing Prohibited. Loans to individuals for participation in an existing cooperative shall not be made under any circumstances where the purpose is actually to bail out a creditor or to refinance an association by the "backdoor" method.

I Tenure Requirements. Tenure arrangements for all individuals securing loans as master borrowers or as joint borrowers to establish a service for the benefit of a group should provide reasonable security of tenure for the period of the loan. The regional director shall prescribe such regulations with reference to the tenure arrangements of such borrowers to accomplish this objective.

J Financial and Operating Reports. Any individual or group of individuals who receive loans shall file with the regional office and with the Community and Cooperative Services Section, RR Division in Washington, periodic, financial and operating reports in such form and at such time as shall be prescribed by the Director of the RR Division.

K Bonding Employees of Associations. Where loans have been made to master borrowers or joint borrowers to serve a group or to a majority of the participants of an association, the regional director shall require, to the extent he deems necessary, the bonding of agents, employees, or officers of the association or service for the faithful performance of their obligation and the proper use of funds.

III TYPES OF LOANS:

A Loans may be made to individuals for participation in an already existing cooperative, or one to be organized, for the payment of a fee, a membership charge, or for the purchase of a share of stock or certificate of indebtedness.

B Individual loans may be made to a group of low-income farmers to enable them to pool the proceeds thereof for the purpose of providing a specific facility or service. (Individuals who wish to join the group and who are ineligible for rehabilitation aid shall use their own funds to make a proportionate contribution to the pool.)

III (cont.)

C Loans may be made to individuals for the purpose of providing a facility or service for the benefit of a group. Such loans may be made to an individual (a master borrower) or to several individuals (joint borrowers) who will be responsible for the repayment of the loan and for the use and care of the facility or service purchased with the proceeds of the loan. Provision should be made in this type of loan to insure reasonable charges for the services to the group to be benefitted and to prevent the borrower from making excessive profits from the operation of the service.

IV PURPOSES FOR WHICH LOANS MAY BE MADE: Loans may be made for the following purposes:

A To acquire property, real or personal, or any interest therein, necessary for the proper conduct of the service.

B To construct buildings or to procure equipment, goods, or other facilities necessary for the proper conduct of the service.

C To provide operating capital.

D To conduct any cooperative activity for the rehabilitation or relief of its members, including individual advances to producers of products handled by associations under marketing agreements.

V TYPES OF SERVICES: The following is a partial list of facilities, services, or cooperative activities which should be considered in a program of rehabilitation, provided they can be justified in accordance with the policies set forth in this Instruction:

A General Farm Needs. Facilities for farm machinery repairing, mixing of fertilizer, lime mining or grinding, terracing, land clearing, feed grinding and mixing, seed cleaning and treatment, plowing or cultivating, spraying, leasing of grazing areas, and other general farm needs.

B Crop Harvesting. Facilities for mowing, binding, threshing, hulling, baling, ensilage cutting and other crop harvesting needs.

C Processing. Facilities for the processing of agricultural products.

D Handicraft. Facilities for the making and marketing of handicraft products.

E Grading, Packing, Storing. Facilities for the grading, packing and storing of perishable commodities, including cold storage and warehousing.

F Marketing and Purchasing. Facilities for the purchase and/or sale of raw or processed materials and goods, supplies and equipment, and services.

G Livestock Improvement. Facilities for livestock improvement, such as the acquisition of purebred sires, veterinary services, and so forth.

H Home Conveniences. Facilities, not economically feasible in individual low-income homes, for laundering, sewing, canning and dehydrating fruits and vegetables, curing and processing meats, and for meeting other household and home needs.

V (cont.)

I Medical and health services.

J Facilities or services other than those listed above may be approved by the Administrator, provided they are essential for rehabilitation of RR clients or other low-income families.

VI PERIOD OF LOANS: Loans shall be made for the shortest period consistent with the purposes and policies of this Instruction. In no case shall the period of the loan exceed the estimated life of the facility or the property. Generally, the period of the loan shall coincide with the two, five, and ten year periods permitted for standard loans. Where loans are desired for periods in excess of 10 years, as provided under standard loans, the regional office must be contacted prior to the preparation of such applications for advance approval of the submission of such requests.

VII RATE OF INTEREST: Interest on community and cooperative service loans shall be charged at the rate of 3 per cent per annum. However, if the borrowers do not acquire any interest in the service or in the facility, or if the proceeds of the loan are used in payment of rent or fees for the use of facilities or services or in the purchases of supplies or materials of a non-recoverable nature used for farming operations, then interest shall be charged at the rate of 5 per cent per annum. A 5 per cent rate of interest may likewise be charged at the discretion of the regional director where participation loans are included as a part of the Farm Plan loan (either as an initial loan or as a supplemental loan) if funds for other purposes are included in such loans. Where an interest rate of 5 per cent is established for one or more borrowers of a facility, the same rate shall be charged all borrowers who participate in the same facility. Medical fees, dental fees, veterinary fees, and grazing fees shall be classified as annual farm and home operating expenses and shall carry an interest rate of 5 per cent.

VIII SECURITY: Security for such loans shall be adequate to insure repayment and shall be in accordance with the requirements for security for standard loans. Where it is administratively advisable, there should be required also Form FSA-LE 122, Assignment of Dividends, an agreement to set aside a definite amount or percentage of the income from service fees or other charges, and/or such other available security as may be necessary to safeguard the repayment of the loan. The security requirements should be set forth specifically in the Loan Agreement.

IX COUNTY OFFICE PROCESSING OF COMMUNITY COOPERATIVE SERVICE LOANS:

A "Community and Cooperative Services Application" must be prepared for all applications involving loans for individual memberships or participation in a newly organized group service where such loans are made to a substantial number of the membership and shall accompany the loan dockets. However, this Form will not be required where the association or service has been previously approved by the FSA or where membership or participation loans are made to individuals who comprise a small minority of an established cooperative association, provided the regional director has evidence that such membership or participation will contribute to the rehabilitation of persons involved and that such cooperative association conforms to standards indicated under general policies. In such instances in which loans have already been approved, the names of the additional borrowers shall be added to the original application.

1 Loan applications, Form FSA-RR 23, "Community and Cooperative Services Application", shall be prepared in an original and two copies for all loans to be approved in the regional office. Where Washington approval is required, the Application Form FSA-RR 23, should be made in an original and three copies.

III (cont.)

C Loans may be made to individuals for the purpose of providing a facility or service for the benefit of a group. Such loans may be made to an individual (a master borrower) or to several individuals (joint borrowers) who will be responsible for the repayment of the loan and for the use and care of the facility or service purchased with the proceeds of the loan. Provision should be made in this type of loan to insure reasonable charges for the services to the group to be benefitted and to prevent the borrower from making excessive profits from the operation of the service.

IV PURPOSES FOR WHICH LOANS MAY BE MADE: Loans may be made for the following purposes:

A To acquire property, real or personal, or any interest therein, necessary for the proper conduct of the service.

B To construct buildings or to procure equipment, goods, or other facilities necessary for the proper conduct of the service.

C To provide operating capital.

D To conduct any cooperative activity for the rehabilitation or relief of its members, including individual advances to producers of products handled by associations under marketing agreements.

V TYPES OF SERVICES: The following is a partial list of facilities, services, or cooperative activities which should be considered in a program of rehabilitation, provided they can be justified in accordance with the policies set forth in this Instruction:

A General Farm Needs. Facilities for farm machinery repairing, mixing of fertilizer, lime mining or grinding, terracing, land clearing, feed grinding and mixing, seed cleaning and treatment, plowing or cultivating, spraying, leasing of grazing areas, and other general farm needs.

B Crop Harvesting. Facilities for mowing, binding, threshing, hulling, baling, ensilage cutting and other crop harvesting needs.

C Processing. Facilities for the processing of agricultural products.

D Handicraft. Facilities for the making and marketing of handicraft products.

E Grading, Packing, Storing. Facilities for the grading, packing and storing of perishable commodities, including cold storage and warehousing.

F Marketing and Purchasing. Facilities for the purchase and/or sale of raw or processed materials and goods, supplies and equipment, and services.

G Livestock Improvement. Facilities for livestock improvement, such as the acquisition of purebred sires, veterinary services, and so forth.

H Home Conveniences Facilities, not economically feasible in individual low-income homes, for laundering, sewing, canning and dehydrating fruits and vegetables, curing and processing meats, and for meeting other household and home needs.

V (cont.)

I Medical and health services.

J Facilities or services other than those listed above may be approved by the Administrator, provided they are essential for rehabilitation of RR clients or other low-income families.

VI PERIOD OF LOANS: Loans shall be made for the shortest period consistent with the purposes and policies of this Instruction. In no case shall the period of the loan exceed the estimated life of the facility or the property. Generally, the period of the loan shall coincide with the two, five, and ten year periods permitted for standard loans. Where loans are desired for periods in excess of 10 years, as provided under standard loans, the regional office must be contacted prior to the preparation of such applications for advance approval of the submission of such requests.

VII RATE OF INTEREST: Interest on community and cooperative service loans shall be charged at the rate of 3 per cent per annum. However, if the borrowers do not acquire any interest in the service or in the facility, or if the proceeds of the loan are used in payment of rent or fees for the use of facilities or services or in the purchases of supplies or materials of a non-recoverable nature used for farming operations, then interest shall be charged at the rate of 5 per cent per annum. A 5 per cent rate of interest may likewise be charged at the discretion of the regional director where participation loans are included as a part of the Farm Plan loan (either as an initial loan or as a supplemental loan) if funds for other purposes are included in such loans. Where an interest rate of 5 per cent is established for one or more borrowers of a facility, the same rate shall be charged all borrowers who participate in the same facility. Medical fees, dental fees, veterinary fees, and grazing fees shall be classified as annual farm and home operating expenses and shall carry an interest rate of 5 per cent.

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IX (cont.)

B All community and cooperative service loan dockets for the consideration of the regional office shall contain all or a part of the following documents according to the particular requirements of the case:

- 1 Form FSA-RR 12, "Application for Rehabilitation". (In all cases.)
- 2 Form FSA-RR 23, "Community and Cooperative Services Application". (When required, see par. IX A above.)
- 3 Participation and Joint Ownership Agreements. (When applicable, see par. II above.)
- 4 Forms FSA-RR 14 and 14a, "Farm and Home Management Plan". (When loan is for fifty dollars (\$50) or more, see par. II G 4 above.)
- 5 Form FSA-RR 15, "Loan Agreement and Request for Funds". (In all cases.) (Note: The amount of funds requested for community and cooperative service loans shall be set forth in the Loan Agreement under "Advance Repayable" and shall be described as "for participation in facility or service", and the name of the service must be identical with the name shown on the corresponding Form FSA-RR 23.)
- 6 Form FSA-FI 5, "Loan Voucher". (In all cases.)
- 7 Form FSA-LE 31.____, "Promissory Note". (In all cases.)
- 8 Approved Security Instruments. (In all cases.)

Note: The detailed preparation and distribution of Forms: FSA-RR 12, FSA-RR 14 and 14a, FSA-RR 15, FSA-FI 5 and FSA-LE 31.____, and the security requirements for community and cooperative service loans will be the same as those provided in that portion of the Manual dealing with standard loans.

IX (cont.)

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Note: The detailed preparation and distribution of Forms: FSA-RR 12, FSA-RR 14 and 14a, FSA-RR 15, FSA-FI 5 and FSA-LE 31.____, and the security requirements for community and cooperative service loans will be the same as those provided in that portion of the Manual dealing with standard loans.

U. S. DEPARTMENT OF AGRICULTURE
FARM SECURITY ADMINISTRATION

Date
August 11, 1936

To:

Div. dirs., sec. chfs., reg. dirs., asst. reg. dirs., reg. sec. chfs.,
st. RR dirs., dist. and co. RR spvrs., and all others affected.

Copy to:

All Procedure and RR Abridged Manual holders.

Subject:

Voluntary work agreements.

1 PURPOSE:

- a This Order prescribes policies governing the taking of voluntary work agreements from recipients of grants, made pursuant to AO 92 (Rev.2), and prescribes procedure for assigning signatories of such agreements to work on public projects.

2 POLICIES GOVERNING THE TAKING OF VOLUNTARY WORK AGREEMENTS:

- a It is the policy of the RA that:

- I Recipients of grants, made pursuant to AO 92 (Rev. 2), may be asked to sign Form RA-RR 88, Rev. 8-10-36, "Voluntary Work Agreement".
- II Recipients of grants, who have executed voluntary work agreements, may be assigned to work on Land Utilization and RA projects, and on useful local public projects administered by states or political subdivisions thereof or other local governing or public administrative bodies (all of which are hereinafter referred to collectively as "local authority"), provided such local public projects are not financed in whole or in part out of funds appropriated by the Emergency Relief Appropriation Act of either 1935 or 1936.
- a In cases where signatories of work agreements are assigned to work on Land Utilization or RA projects, they will not be considered as employees of the RA in any sense, and their names must not appear on any pay roll of the RA, but the benefits of workmen's compensation insurance will be provided such assigned signatories through premiums paid out of state RR corporation funds.
- III Voluntary work agreements will be accepted from grant recipients only in states in which the attorney general of the state has ruled as to the types of work to be performed; (1) that public funds of such state or local authority may be used for the payment of premiums on workmen's compensation insurance or other equivalent form of insurance

Rural Rehabilitation

- 2 a III covering signatories of voluntary work agreements; or (2) that the state or local authority within the state is authorized by law to assume liability for injuries sustained by assigned signatories on its projects; or (3) that such assigned signatories will be otherwise protected by such insurance by the operation of the provisions of any other applicable state statute.
- IV Signatories of voluntary work agreements must not be assigned to any local authority for work on its projects unless such authority has provided workmen's compensation insurance or other equivalent form of insurance covering said signatories in the types of work to be performed, or unless such local authority is authorized to and has assumed responsibility for injuries or death sustained by such signatories while performing services on its projects, or unless such signatories will be otherwise similarly protected by the operating of the provisions of any other applicable state statute.
- V In no instance may county RR supervisors or any other RA official countenance a proposal whereby signatories of work agreements waive their rights to compensation for injuries sustained while at work on public projects of local authorities, pursuant to the provisions of this Order.
- VI Making of a grant to a person otherwise eligible for public aid shall not be contingent upon his executing a voluntary work agreement.
- VII Only recipients receiving grants subsequent to the issuance of this Order may be asked to execute voluntary work agreements.

3 PROCEDURE:

- a After having been advised by the General Counsel that the opinion of the attorney general of such state satisfies the requirements of paragraph 2a III hereof, the procedure will be as follows:

I Execution of Voluntary Work Agreements.

- A County RR supervisors will, at the time of preparing Form RA-RR 59, Rev. 8-11-36, "Three Months' Family Subsistence Budget", ask the proposed recipient of a grant whether he is willing to perform work in return for the grant to be received by him. If he so agrees, he shall be asked to execute Form RA-RR 88, Rev. 8-10-36, "Voluntary Work Agreement", at the time such budget is prepared.

- 3 a I B The number of hours to be worked by the signatory of such voluntary work agreement shall be determined by dividing the amount of the total grant (Form RA-RR 59; Rev. 8-11-36, section D, "Budget Summary", "Deficiency for period \$____") by the hourly prevailing wage rate of the locality for the type of labor to be performed as determined by the local administrative unit of the WPA.

II Assignment of Work and Records.

- A Signatories of voluntary work agreements may be assigned to work on (1) local Land Utilization and RA projects and (2) useful public projects of local authorities, as provided in paragraph 2a II hereof. County RR supervisors will inform local authorities and project managers of Land Utilization and RA projects of labor available for assignment to them without charge, and will also make available to them copies of Form RA-RR 88, Rev. 8-10-36, so that they may be advised of the terms of voluntary work agreements.
- B County RR supervisors will receive requests from local authorities and local project managers of Land Utilization and RA projects who have work to be performed. Such requests will be made on Form RA-RR 145, Rev. 8-10-36, "Request for Labor".
- C County RR supervisors will inform local authorities and project managers of Land Utilization and RA of labor assigned to their projects, using Form RA-RR 146, Rev. 8-10-36, "Notice of Assignment of Labor".
- D County RR supervisors will assign signatories of voluntary work agreements to work for local authorities and project managers, using Form RA-RR 147, Rev. 8-10-36, "Client's Assignment to Work".
- E Each local authority or project manager to which or whom labor is assigned will certify monthly to the county RR supervisor the number of hours of work performed by each signatory who has been assigned, using Form RA-RR 143, Rev. 8-10-36, "Report of Work Performed".
- F County RR supervisors will keep a ledger account of each signatory of a voluntary work agreement and will debit to said account the number of hours the signatory has agreed to work and will credit to said account the hours which have been certified in his behalf. When a signatory has performed work involving the use of teams or other equipment supplied by him, the signatory shall be credited with extra hours for such work in accordance with the differential between the rate fixed by the RA for work involving equipment and

3 a II F the prevailing WPA wage rate. (For example, if the WPA rate is fifty cents (50¢) per hour and the RA rate for owner-operators of such teams, and so forth, is one dollar (\$1.00) per hour, the client should be credited with two hours for each hour worked with such teams, and so forth.) The ledger account for each signatory will show the dates during which work may be required, and, if sufficient work has not been made available to him at the expiration of said date, any hours not worked on said account shall be credited to his account. This ledger account will be kept on Form RA-RR 149, Rev. 8-10-36, "Client's Annual Work Record".

G At the close of each month, county RR supervisors will prepare Form RA-RR 150, Rev. 8-10-36, "Monthly Report on RR Work Program", and will transmit the original thereof to the regional director, not later than the fifth day following the close of the previous month.

4 DISPOSAL OF FORM RA-RR 88, REV. 8-10-36, "VOLUNTARY WORK AGREEMENT":

a This Form will be prepared by the county RR supervisor in duplicate and disposed of as follows:

I Original will be retained by the county RR supervisor.

II Duplicate will be transmitted to the client.

b A copy of Form RA-RR 88, Rev. 8-10-36, will not be transmitted to the regional office.

5 SUPPLY OF FORMS:

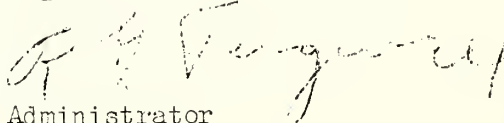
a Regional directors will duplicate a two months' supply of Form RA-RR 88, Rev. 8-10-36; and Forms RA-RR 145 to RA-RR 150, Rev. 8-10-36, inclusive, and will distribute supplies thereof to county RR supervisors. Thereafter, printed supplies of these Forms will be distributed from Washington to regional offices on request.

b A RR field instruction covering the function and use of Forms RA-RR 88, Rev. 8-10-36, and Forms RA-RR 145 to RA-RR 150, Rev. 8-10-36, inclusive, will be issued by the Assistant Administrator in charge of RR, subsequent to the release of this Order.

6 REPORTS:

a Regional directors will submit to the Administrator such reports as may be required by him covering work performed pursuant to this Order.

Signed:



Administrator

Form RA-RR 88
Rev. 8-10-36
Approved by the
Administrator

RESETTLEMENT ADMINISTRATION
RURAL REHABILITATION DIVISION
WASHINGTON, D. C.

RR Case

VOLUNTARY WORK AGREEMENT

I, _____, of _____,
having applied for a grant of \$_____ from the Resettlement Administration,
hereby agree, in accordance with the several provisions hereof, to perform
unskilled
work of semi-skilled nature for _____ hours on any activity selected by the
skilled

Resettlement Administration and administered either by the Resettlement Adminis-
tration or by a state, a political subdivision thereof or a local governing or
public administrative body, (all of which are hereinafter referred to as "ad-
ministering authorities"), at any time designated by the Resettlement Adminis-
tration, and within six months after the date hereof.

It is further understood and agreed that:

- 1 The total number of hours of work shall not exceed eight hours per day or
forty hours per week, and no work shall be performed on Sundays or legal
holidays.
- 2 Credits for work performed will be based upon the number of hours actually
worked plus the number of additional hours required to be spent on the
project.
- 3 Insofar as possible, the administering authority will call for work at such
times as will cause the least interruption to work done by the undersigned
on the farm and the undersigned may request postponement of performance of
work pursuant to this agreement when interruption of farm work is inadvisable.
- 4 The undersigned may substitute adult members of his own household to work
in his place subject to all of the conditions set forth herein.
- 5 The undersigned will work only on such projects as are located not more
than _____ miles from his home unless transportation to and from such
projects is provided by the administering authority.

Date: _____ 193_____

Signature: _____

Form RA-RR 145

8-10-36

RESETTLEMENT ADMINISTRATION
RURAL REHABILITATION DIVISIONApproved by the
AdministratorREQUEST FOR LABOR

The _____

(Name of Administering Authority)

of _____, County _____, State _____
requests that _____ rural rehabilitation clients of the Resettlement Administration be assigned to work under the direction and supervision of the aforesaid administering authority on the following described projects:

Located in _____
County _____ State _____, for the period from _____ to _____.
Approximately _____ man-hours of labor will be available for such clients, of which _____ man-hours will be skilled, _____ man-hours semi-skilled and _____ man-hours unskilled.

The aforesaid administering authority agrees: (a) To supply all tools, equipment, materials and other supplies to be used on the above projects, and if for any reason it should fail to supply such material and supplies, to release the laborers for other work projects for which the labor is needed and supplies are available; (b) to use all reasonable care and consideration in the direction of such laborers, to provide adequate supervision of the laborers on the project, and to supply the necessary appliances and material for administering first-aid in case of injury; (c) that if it should accept for employment any client who lives more than _____ miles from the location of the project, it will provide him with the necessary transportation free of charge; (d) that no client shall be permitted to work more than eight (8) hours in any day or more than forty (40) hours in any week, and no client shall be permitted to work on a Sunday or a legal holiday; (e) that no client shall be permitted to work whose physical condition would make his employment dangerous either to himself or to other persons; (f) to make monthly reports to the Resettlement Administration of the number of hours of labor performed by each client.

The aforesaid administering authority certifies that it has obtained a policy of workmen's compensation insurance or other equivalent form of insurance for protection of any clients employed by it on the aforementioned project and/or agrees to assume responsibility for the payment to such employees of compensation for injuries or death arising out of and in the course of their employment, and/or warrants that such clients will be otherwise similarly protected by the operation of the provisions of any applicable state statute.

(Name of Administering Authority)

Date _____

By _____

(Note - Actual size is 8" x 10 $\frac{1}{2}$ ")

RA-RR 146
8-10-36
Approved by the
Administrator.

NOTICE OF ASSIGNMENT OF LABOR

(Note - Actual size is 8" x 10 $\frac{1}{2}$ ")

Form RA-RR 147

8-10-36

Approved by the
Administrator.RESETTLEMENT ADMINISTRATION
RURAL REHABILITATION DIVISION

RR Case

CLIENT'S ASSIGNMENT TO WORK

Date:

TO: _____
(Client's Name and Address)

In accordance with your Voluntary Work Agreement dated _____,

you are hereby directed to report to _____,
(Name of Person or Agency)_____, at _____
(Address) a.m. p.m. (Date)to perform _____ hours of semi-skilled labor.
skilled
unskilled_____
County Rural Rehabilitation Supervisor(Note - Actual size is 5" x 8")

FSA Instruction 141a

RESSETLEMENT ADMINISTRATION
RURAL REHABILITATION DIVISION

RR Case

MONTHLY REPORT OF WORK PERFORMED

To: County Rural Rehabilitation Supervisor.

From: _____
(Name of Administering Authority)

_____, _____
(Name of Client) (Address)

This is to certify that the client named above has performed work as an employee of the undersigned for the number of hours and on the dates specified on the following project(s):

[illegible]

Date

Name of Administering Authority

By: _____

(Note - Actual size is 8" x 10 $\frac{1}{2}$ ")

Form RA-RR 149
8-10-36
Approved by the
Administrator.

RESETTLEMENT ADMINISTRATION
RURAL REHABILITATION DIVISION

CLIENT'S ANNUAL WORK RECORD

FSA Instruction 741a

RR Case

County

State

Name _____ Address _____

Community _____ Resides _____ mi _____ from _____

on _____ Road, between _____ and _____

Prevailing Wage Rate, per Man-hour _____; per Equipment (or Team) Hour _____

	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
Ant. of	:	:	:	:	:	:	:	:	:	:	:	:
Grant	:	:	:	:	:	:	:	:	:	:	:	:
Hrs. to	:	:	:	:	:	:	:	:	:	:	:	:
be worked	:	:	:	:	:	:	:	:	:	:	:	:
Date	HOURS WORKED											
1	:	:	:	:	:	:	:	:	:	:	:	:
2	:	:	:	:	:	:	:	:	:	:	:	:
3	:	:	:	:	:	:	:	:	:	:	:	:
4	:	:	:	:	:	:	:	:	:	:	:	:
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30	:	:	:	:	:	:	:	:	:	:	:	:
31	:	:	:	:	:	:	:	:	:	:	:	:
Total	:	:	:	:	:	:	:	:	:	:	:	:
Hours	:	:	:	:	:	:	:	:	:	:	:	:
Due	:	:	:	:	:	:	:	:	:	:	:	:
Total Hrs.	:	:	:	:	:	:	:	:	:	:	:	:
Due	:	:	:	:	:	:	:	:	:	:	:	:

(Note - Actual size is 8" x 10 1/2")

Form RA-RR 150
8-10-36
Approved by the
Administrator

RESETTLEMENT ADMINISTRATION
RURAL REHABILITATION DIVISION
WASHINGTON, D. C.

FSA Instruction 741a

County _____

State _____

MONTHLY REPORT ON RR WORK PROGRAM

REPORT FOR MONTH ENDING _____ 193_. (Report each county separately.)

(1)	:	(2)	:	(3)	:	(4)	:	(5)	:	(6)	:	(7)	:
	:		:		:		:	Hours	:	Hours	:		:
	:		:		:		:		:		:	Hours	:
	:	Tot.No.	:	No. grant	:	No. grant	:	debited	:	credited	:	due	:
	:	of grant	:	recip. who	:	recipients	:	for all	:	for all	:		:
	:	recip'ts	:	have not	:	who have	:	grant	:	grant	:		:
	:		:	signed WVA	:	signed WVA	:	recip'ts	:	recip'ts	:		:
	:		:		:		:		:		:		:
Car'd Forw'd:	:		:		:		:		:		:		:
1 prev. month	:		:		:		:		:		:		:
Discontinued:	:		:		:		:	XXXXXX	:	XXXXXX	:	XXXXXX	:
2 this month	:		:		:		:		:		:		:
Sub-total:	:		:		:		:	XXXXXX	:	XXXXXX	:	XXXXXX	:
3	:		:		:		:		:		:		:
Added	:		:		:		:		:		:	XXXXXX	:
4 this month	:		:		:		:		:		:		:
Total at end:	:		:		:		:		:		:		:
5 this month	:		:		:		:		:		:		:

COMMENT ON RR WORK PROGRAM AS TO

1 Local public sentiment thereon:

2 Grant recipients' attitude thereto:

3 Project administering authorities' attitude thereto:

4 Progress:

5 Local problems of administration:

RURAL REHABILITATION GRANTS CRITERIA AND COUNTY OFFICE ROUTINE

I PURPOSE: The purpose of the grant program is to provide needy farm families with indispensable medical aid, and emergency subsistence needs such as food, clothing, shelter, and other essential subsistence goods and services.

II GENERAL POLICY:

A Grants will be resorted to for FSA and state RR corporation clients only where it is impossible to work out a repayment schedule based on Farm and Home Plans for such goods and services. Grants should be considered as meeting emergency and temporary needs only, and every effort should be made by the county RR or Home Management supervisor and family to meet all family needs through income from the farm, supplemented wherever possible by outside family income. In areas where it is impossible to meet all needs from farm and family income, grants for subsistence and medical purposes may be utilized to balance individual Farm Plans, where, through close and intelligent supervision, available resources are being utilized to the fullest extent by the client in honestly attempting to meet all his needs on a self-help basis. It will be the policy of the FSA to encourage emergency grant clients to produce their own subsistence with the facilities and resources which are or can be made available, and to carry out recommended conservation practices on the farms and in their homes.

Note: It is the policy of the FSA not to make grants to a farmer renting land which a supervisor of the FSA or his immediate family either owns, controls, or has a substantial interest in. Every effort should be made to terminate as quickly as possible any such existing arrangements between clients and supervisors so that clients can make plans for the next crop year. However, if any present client renting land in which a supervisor has an interest is receiving grants and an immediate discontinuance of the grant or the leasing arrangement would work a hardship on the client, the supervisor may submit to the regional office an unsigned grant voucher together with a complete and detailed statement of explanation and justification. Such grants may be approved in the regional office if the surrounding circumstances justify that action but every effort should be made to work out some other arrangement for the grant client as soon as possible.

III PERSONS ELIGIBLE: Persons eligible to receive grants are standard and emergency FSA and state RR corporation clients, potential FSA standard clients for whom loans cannot immediately be made available, and victims of flood, drought, storms, and like catastrophes, living in open rural areas in which the Administrator has declared an emergency to exist.

IV PURPOSES FOR WHICH GRANTS MAY BE MADE: In addition to grants to victims of flood, drought, storm, and like catastrophe for emergency subsistence needs, grants may be made to standard and potential standard clients as follows:

A Grants to FSA and State RR Corporation Clients for Subsistence. Grants may be made to FSA and state RR corporation clients in an amount not to exceed subsistence needs where the Farm and Home Plans show it to be impossible to operate the farm, maintain a healthful standard of living, and repay the loan in full, pending a readjustment of soil resources and farming operations, or where unexpected emergencies have arisen which were not anticipated in the Farm and Home Plan and cannot be met from the family income.

TRIBUTION: A, J, and M.

Rehabilitation
Emergency Methods
Grants

IV (cont.)

B Grants to FSA and State RR Corporation Clients or Applicants for Medical Attention. Grants to standard loan clients for medical care, or to applicants whose sole cause for rejection is need for medical attention, for the correction of chronic conditions of long standing shall be made only after all other possibilities are exhausted. Where such medical care is absolutely essential to the successful rehabilitation of the family and cannot be provided from farm income or through welfare agencies, grants may be used as a last resort.

C Grants to Others for Medical Care. Grants for medical care to clients receiving grants only will not include correction of chronic conditions of long standing, but will be confined to emergency medical and obstetrical attention, including hospitalization where absolutely essential. The cooperation of the medical profession and all available welfare agencies will be solicited in making such medical needs available at the lowest possible rate.

D To make grants for any other purpose, the approval of the Administrator must be secured in writing, both as to the use to which the money is to be put and the total amount to be expended.

V AUTHORITY TO APPROVE GRANT BUDGETS AND VOUCHERS:

A Specific delegations must be in writing and must indicate the maximum amount which can be approved by the state director, district or county RR supervisor. Regional directors may authorize county RR supervisors to approve emergency grant budgets and vouchers up to thirty dollars (\$30) per month and transmit such vouchers to the regional office for issuance of check by the appropriate U. S. Treasury Disbursing office.

B When regional directors or the Director of the RP Division so authorizes, managers of projects under their respective jurisdictions may prepare and approve grant budgets and vouchers for resettlement clients within the limitations of this Instruction. When so authorized, community managers will follow the procedure outlined herein for county RR and Home Management supervisors.

VI COUNTY OFFICE ROUTINE FOR PROCESSING GRANTS:

A Form FSA-RR 12, "Application for Rehabilitation". County RR or Home Management supervisors will prepare Form FSA-RR 12, "Application for Rehabilitation", in consultation with the applicant, and will secure the applicant's signature to the Application. The accuracy of the statements made in the Application will be checked by the county RR or Home Management supervisor. Space is provided at the bottom of the Form for the approval of the county RR supervisor and county committee.

1 Form FSA-RR 12 will be prepared in an original and two copies. The original will be executed and become a part of the original docket. A copy will be given the client and a copy retained in the county office files.

B Recommendation and Budget. If it is determined that the applicant in need is eligible for a grant, the county RR or Home Management supervisor will work out with him a three months' budget on Form FSA-RR 59, "Three Months' Family Subsistence Budget". The Budget will indicate absolutely essential subsistence and medical needs for the period and any prospective family income available to meet such needs. The county RR supervisor will recommend by signing in the space provided.

1 Form FSA-RR 59 will be prepared in an original and two copies. The original will become a part of the original docket; a copy will be given to the applicant; and a copy will be retained in the county office.

C Grant Vouchers. Form FSA-FI 58, "Public Voucher for Direct Relief, Stricken Agricultural Areas", will be prepared and signed by the county RR supervisor in the space provided. The monthly advance to one or more grant clients may be requested on the same voucher; however, grants of or under thirty dollars (\$30) approved by the county RR supervisor must not be included on the same Voucher

VI C (cont.)

with grants of over thirty dollars (\$30) which require regional office approval. Also, grants to clients in more than one county must not be included on the same voucher. The need for monthly advances should be anticipated for clients and their names should be included on Vouchers sufficiently in advance to meet their needs. Subsequent advances will be handled in the same manner as initial advances.

1 Form FSA-FI 58 will be prepared in an original and three copies, all of which will be forwarded to the regional office for issuance of the **check or checks** by the appropriate U. S. Treasury Disbursing office. (Rev. 1-24-40)

D The original "Application for Rehabilitation", Form FSA-RR 12, and the "Three Months' Family Subsistence Budget", Form FSA-RR 59, will be retained in the files of the office authorized to approve the Voucher. The docket will be sent to the regional office only when that office is required to approve the Voucher.

E **Check Delivery:** Grant checks will be mailed directly to the client. Therefore it is essential that the family thoroughly understand the use to which the money may be put so that proceeds of the grant will be properly used.

EMERGENCY REHABILITATION LOANS
CRITERIA AND COUNTY OFFICE ROUTINE

I PURPOSE: Emergency RR loans may be made to take care of the emergency rehabilitation needs, indicated below, which cannot be met through standard loans, and to facilitate a feed loan program under abnormal conditions, such as arise during drought and flood. The use of emergency loans must be restricted to emergency situations.

II PERSONS ELIGIBLE: Persons eligible to receive emergency RR loans are:

 A Drought, flood and storm sufferers and other farmers who are victims of disasters or catastrophes, whose emergency needs for feed or feed crops do not permit the preparation of standard Farm and Home Plans.

 B Applicants whose names appear on lists of prospective standard RR clients furnished the Farm Credit Administration, but who, on the basis of further investigation, have been found unacceptable as standard loan clients. Loans to this group will be limited to the amount which they would normally have secured from the Emergency Crop and Feed Loan Section of the Farm Credit Administration. Unless such applicants can establish eligibility for standard RR loans in subsequent years, they should be referred to the Farm Credit Administration for future loans.

 C Vendors of land to the United States under accepted options who are in need of public aid pending payment for land and who cannot obtain loans from any other source may be granted emergency loans. When this need arises, the regional office will instruct the county RR supervisor in the procedure to be followed in accordance with instructions given the regional office.

III PURPOSES OF LOANS: Emergency Rehabilitation loans may be made for:

 A Purchase of feed for the maintenance of work stock, subsistence livestock and foundation herds. The purchase of feed for commercial production of livestock or livestock products is not permitted under emergency loan procedure. Regional directors may place limits on animal units for which loans for feed may be made on any one farm when in his judgment the cost of feed consumed may be in excess of the value of the animals involved.

 B The planting, cultivating and harvesting of emergency feed crops and supplies incidental thereto. Loans will be limited to immediate and actual cash needs.

IV TERMS OF LOANS: The rate of interest on emergency loans will be 5 per cent per annum. Such loans may not be made for a period longer than 18 months and should be made for the shortest period consistent with the probable future income of the borrower.

V NOTES AND SECURITY: All emergency loans will be evidenced by a "Promissory Note", Form FSA-LE 31., and be secured by a first lien on the crops to be grown, and the best lien obtainable on the livestock to be fed, using Form FSA-LE 30., "Crop and Chattel Mortgage". Where security indicated above is not adequate, it will be supplemented by the best available liens on chattels owned by the borrower.

VI ROUTINE: In making emergency loans, county RR supervisors will prepare and have executed, and forward to the regional office, the forms listed below: (The preparation, number and distribution of these Forms will be as described under standard loans. Supervision, recording of security instruments and other processing and servicing actions, will also be in accordance with the procedure provided for standard loans.)

- A Form FSA-RR 12, "Application for Rehabilitation". (Include second page.)
- B Form FSA-RR 15, "Loan Agreement and Request for Funds".
- C Form FSA-FI 5, "Public Voucher - Farm Security Administration Loan".
- D Form FSA-LE 31.____, "Promissory Note" or "Bond".
- E Form FSA-LE 30.____, "Crop and Chattel Mortgage". (Title varies in different states.)

RR LOANS - COLLECTION - GENERAL

I GENERAL POLICIES:

A The FSA expects the client to adhere to the terms of his obligation and pay his loan in full. This shall not be construed to prohibit the revision of the terms of client's obligations when the welfare and progress of the client and other circumstances warrant.

B A client's violation of the terms of his obligation, when accompanied by evidence of his bad faith, shall be justification for the strict enforcement of the terms of his agreements.

C Each case of delinquency will be considered on its individual merits. All ordinary means of collection shall be exhausted before legal proceedings are instituted.

D No official of the FSA shall take any legal action to enforce payment of obligations to the FSA or state RR corporations which have transferred their assets; all such proceedings will be instituted by the appropriate U. S. district attorney, after submission of the case to him by the regional attorney. No official of the FSA shall threaten criminal proceedings for the purpose of facilitating the collection of any indebtedness due to the FSA or a state RR corporation, notwithstanding the fact that a reasonable basis for criminal action in the particular case may exist.

E The collection and servicing of cooperative loans to individuals and groups will be handled in the same manner as other RR loans and the collection and servicing of loans to cooperative associations will be handled as directed by the regional office. Any observations of interest concerning the operation of the association should be communicated promptly to the regional office.

F The servicing and collection of loans owing by individuals and associations to corporation trust funds will be handled under the same policies and procedure and with the same personnel and equipment as are used for FSA loans. No preference in collecting or liquidating activities is to be shown as between trust fund and FSA accounts.

II RESPONSIBILITY OF COLLECTING OFFICIALS (RR LOANS):

A All collection and servicing operations will be under the jurisdiction of the county RR supervisor or the community manager, who will be responsible for the actual execution of the program set forth herein, as it applies to their respective assigned territories.

B The county RR supervisor will be under the general supervision of the district RR supervisor, but will handle the routine collection matters in direct contact with the regional Loan and Collection section.

C As used herein, "Collecting Official" refers to both the county RR supervisor and the community manager, and "RR Loans" does not include construction loans made in connection with Lease and Purchase Contracts, and loans made to cooperative and homestead associations.

DISTRIBUTION: A, F, and J.

Rehabilitation
Collection
General

COLLECTION OF RR LOANS - REGIONAL OFFICE FUNCTIONS

I RESPONSIBILITY OF THE REGIONAL OFFICE:

A The collection and servicing activities within the region will be under the direction of the regional director who will be in control of and issue appropriate instructions, as may be required, to officers under his jurisdiction.

B The assistant regional director in charge of RR will be responsible for the supervision of the loan and security servicing program within the region.

C All legal matters pertaining to the collecting and servicing operations will be under the supervision of the regional attorney, who will be responsible, under instructions from the Solicitor, for the approval of all legal forms, or any forms having legal significance, for the handling of all civil and criminal proceedings and for the formulation of special material supplementing default and repossession instructions.

D Billing and accounting functions for FSA and for state RR corporation loans will be performed by the regional FC manager.

E The U. S. Treasury State Disbursing clerk for each of the regions will be responsible for the receiving of all collections transmitted to him by the local and regional collection officials.

II FUNCTIONS OF THE REGIONAL LOAN AND COLLECTION SECTION: The regional Loan and Collection section will be responsible for the collection and servicing activities under the direction of the assistant regional director in charge of RR and will perform the following functions:

A Establish and maintain a loan servicing and collection system as herein prescribed.

B Supervise the collection activities within the region.

C Receive, analyze, and act upon the following forms and reports from the regional FC manager; Notice of Payments Due; Register of Collections in Suspense and Unidentified; Statements of Account; Statements and Lists of Fully Paid Accounts; copy of Form CC-1 which is prepared every 15 days; copy of Treasury Form SF-8 which is prepared monthly; and Lists of Excess Payments Available for Refund. (Rev. 7-25-39)

D Receive all loan and security servicing forms and reports issued by the collecting officials.

E Receive all remittances mailed or delivered directly to the regional office. All remittances thus received will be scheduled on Standard Form No. 1044, "Schedule of Collections", and transmitted to the U. S. Treasury State Disbursing clerk for the region.

F Receive copies of Standard Form No. 1044 from the collecting officials and notify them of any errors or omissions. (Rev. 11-16-39)

DISTRIBUTION: A

II (cont.)

- G Establish and maintain a security servicing system as herein prescribed and effect releases and satisfactions.
- H Effect endorsements whenever necessary and proper.
- I Approve, disapprove, or recommend forbearances and possessive actions.
- J Deal speedily, effectively and sympathetically with clients who are in default, and assist the collecting officials in their servicing actions.
- K Communicate with collecting officials through the use of forms and letters, and advise and instruct them in their loan and security servicing actions.
- L Establish such letter servicing of accounts as may be necessary.
- M Prepare and transmit such monthly reports on loan and security servicing activities as herein prescribed.
- N Receive and analyze all servicing reports, forms, inquiries and correspondence from the collecting officials and from the clients pertaining to the servicing of loans and security.
- O Handle uncollectable items referred to it by the U. S. Treasury State Disbursing clerk for the region.
- P Assist in the correct application of repayments.
- Q Issue receipt books and maintain a close check on all outstanding and incoming receipts.
- R Examine copies of receipts received from the collecting officials and determine whether these receipts have been correctly prepared.
- S Determine whether joint-check endorsements are handled in accordance with instructions.

RR LOANS - COLLECTING OFFICE PROCEDURE - REMITTANCES

I REMITTANCES:

A Repayments on accounts will be received in cash or in the form of personal checks, certified checks, bank drafts, or money orders, by authorized collecting officials. Authority to receive collections may be delegated in writing by the collecting officials to Home Management supervisors, assistant county RR supervisors and to other FSA employees as may be necessary. All persons receiving collections must be bonded and no other persons except those so authorized and bonded may accept collections or issue receipts. An identification card, Form FSA-RR 98, "Identification Card", will be furnished by the regional office for all persons authorized to receive collections.

B Checks, drafts and money orders (whether the payment is to apply to an FSA and/or a trust fund account) should be made payable by the maker to or endorsed in favor of the Treasurer of the United States.

C When the payment is in any form other than cash or postal money order, the receipt will not become an acquittance until collection is made.

D Checks made to the order of a person other than the Treasurer of the United States should be endorsed by the last holder as follows:

"Pay to the order of
THE TREASURER OF THE UNITED STATES

(Signature of Last Holder) "

E If the last holder (usually the client) is unable to sign his or her name, the collecting official shall prepare the check, draft or money order for endorsement by mark and for the signature of a witness as illustrated below: On checks issued by the Treasurer of the United States, the signatures and addresses of two witnesses are required. (Collecting officials will not act as witnesses to signatures by mark.)

"Pay to the order of
THE TREASURER OF THE UNITED STATES

His

JOHN X DOE

Mark

(Name of Last Holder)

RICHARD DOE Witness"

F Checks made payable to the Farm Security Administration in the first instance or endorsed to the order of the Farm Security Administration, will be endorsed by the collecting official

"Pay to the order of
THE TREASURER OF THE UNITED STATES

Farm Security Administration "

DISTRIBUTION: A, F, and J.

I (cont.)

G Collecting officials are not authorized to place restrictive endorsements on checks made payable to the FSA or the United States of America alone. In such cases where the amount of the check is greater than the amount due the FSA or where part of the check should be paid to a third party and where it is not possible to obtain two separate checks, the check should be scheduled to the U. S. Treasury State Disbursing clerk for the region. A notation should be made on Standard Form No. 1044 that a request is made for a refund of part of the check. A written request from the client for that portion of the check which should be refunded should be obtained by the collecting official and forwarded to the regional office with the copies of Standard Form No. 1044. The regional office (Loan and Collection section) will then make a request to the U. S. Treasury State Disbursing clerk for the region for refund. The receipt should be for the full amount of the check and should contain a brief notation of the refund requested.

H Checks made payable to the state RR corporation will be endorsed by the collecting official:

"Pay to the order of
THE TREASURER OF THE UNITED STATES

(Name of Corporation) "

I **JOINT CHECKS.** In those cases in which separate checks representing the interest of the FSA cannot be obtained, checks made payable jointly to the FSA and others or to the United States of America and others may be accepted.

1 The collecting official should communicate with the regional office, relate the individual circumstances to that office, and obtain authorization before endorsement, unless he has received general instructions and authorization permitting him to use this endorsement in recurring identical circumstances. Before using the endorsement for joint checks, the following questions should be considered:

a If the check represents the proceeds of the sale of mortgaged property, whether the amount prorated to the FSA represents the full value of the FSA's lien, and, if not, whether there would be any legitimate reason to postpone the exercise of the lien rights of the FSA at that time.

b Whether any additional amount is expected for the same or other property covered by an FSA lien, and whether the FSA is assured of full payment out of such amount

c Whether the claims of other participants in the check are legitimate or whether being party to a joint check will permit a junior lien holder to enjoy equal participation which otherwise would be denied.

I I (cont.)

2 Joint checks may be endorsed by the collecting official (or other person specifically authorized) by the use of the following form:

"Endorsed only to permit _____ (bank) _____ to draw a cashier's check to the order of the Treasurer of the United States in the amount of \$_____, which represents the interest of the Farm Security Administration in the check hereby endorsed.

Farm Security Administration

By _____

Title: _____ "

3 The client and other interested participants should be given an understanding that the notation "the interest of the Farm Security Administration in the check hereby endorsed" refers only to that particular check and not to the full amount of the obligation incurred, and that the client is not released by such endorsement from any of the additional requirements set forth in the loan instruments.

4 Whenever a collecting official has been authorized to use a joint check endorsement, the regional office will notify the bank authorized to accept such joint checks of the collecting official's authority to endorse and the extent thereof.

J No employee of the FSA is authorized to endorse for the Treasurer of the United States, either when the check is made payable directly to the Treasurer of the United States, or when the check is made payable jointly to the Treasurer of the United States and others. In cases where such a joint check has been received and it is not feasible to have it replaced by a check made payable jointly to the FSA and others, the check should be endorsed by the client and/or any other payees and scheduled by collecting official on Standard Form No. 1044 to the U. S. Treasury State Disbursing clerk for the region for deposit to the special deposits account. A complete description of the check should be given on the "Schedule of Collections" to enable the regional Loan and Collection section to request proper disposition from the U. S. Treasury State Disbursing clerk for the region. A written request from the client for that portion of the check to which he may be entitled should be obtained by the county FR supervisor and forwarded to the regional office, together with copies of the "Schedule of Collections" concerned. The receipt will be for the full amount of the joint check, and a complete description of the check will also be given thereon.

II RECEIPTS:

A Form FSA-FI 27, Receipt, will be used as a receipt for all FR loan collections on FSA, and trust fund and managed corporation accounts. (Form FSA-MA 152 will be used as a receipt for RF clients.) Only those persons authorized to receive collections may issue receipts. The original will be given to the client. The second and third copies will be distributed with Standard Form No. 1044, "Schedule of Collections", as hereinafter prescribed. The fourth copy will be retained in the office of the collecting official and filed in the client's case file.

E The regional office will issue receipt books to the authorized collecting officials and maintain a close check on all outstanding and incoming Receipts. Any missing Receipt will be investigated immediately. All shipments of receipt forms will be made by regular mail and will be receipted for by the official receiving the receipt books.

II (cont.)

C **General Instructions.**

1 Receipt books beginning with the lowest serial number will be used first. The Receipts in the book will be used in consecutive order.

2 Receipts should be prepared carefully and legibly. An indelible pencil or typewriter, where convenient, should be used, together with carbon paper which will insure the legibility of all copies. It is important that all carbons be properly placed so that all copies will correspond exactly in the original.

3 The Receipt will be issued only for the amount actually received by the collecting official.

4 If a payment is made partly by check and partly by currency, the amounts of each should be indicated on the same Receipt.

5 The name of the person preparing the Receipt will be signed only after the Receipt is fully prepared.

6 Receipts will be prepared on the day the remittance is received and will be dated the same day. Receipts will not be dated in advance.

7 In the case of a bulk collection, that is, a collection from a crop buyer or other interested party, covering in the same check amounts due from two or more clients, a Receipt should be issued in the name of each respective client for the amount collected for his account. Under no circumstances should a Receipt, covering the same collection, be issued to both the respective clients and to the crop buyer or other interested party.

8 Case numbers on receipts must include the full case number including prefixes and also including suffixes to indicate the correct application according to the rules of application as prescribed below under "Application of Remittances" herein. It is important that all information on the Receipt in connection with the application be filled in carefully. Property sold should be accurately described in the space provided. Also a description of the note (by date, amount, and payee) to which application is made should always be entered in the appropriate space when there is an election by the client.

9 If any Receipt form is spoiled or voided, all copies of the Receipt will be marked "Void" and all copies (except on projects) will be attached to the copies of Standard Form No. 1044 which are forwarded that day to the regional office. On projects, the fourth copy of the voided receipt will, for auditing purposes, be retained as part of the records of the collecting office.

D Receipts issued in connection with repossession should show only the amount of cash (or other acceptable form of payment) that has actually been received and transmitted to the U. S. Treasury State Disbursing clerk for the region. The amount should not include sale costs, nor other amounts distributed to the other lien holders or creditors. The date of the receipt will be the date of the sale, at which time the collection will be made. Form FSA-FI 27 and Form FSA-MA 152 will not be issued for property, whether repossessed through voluntary or involuntary action.

11 (cont.)

E When a collection is made on previously uncollectable items (checks or drafts), the original Receipt will be voided and a new Receipt issued. The copy of the original Receipt remaining in the office of the collecting official must be marked "Void". New Receipts will be marked "Issued in lieu of Receipt No_____, canceled on (date)_____", and the correct loan number suffixes and the proper application will be shown on the new Receipt. Each collection of a previously received uncollectable item will be listed on a separate supplementary "Schedule of Collections". The new Receipt for cash or other form of payment received on a previously uncollectable item will be made out separately from the Receipt for any other payment received at the same time (and will be dated as of the day the new Receipt is prepared rather than as of the date the uncollectable item was originally received).

F When no local collecting official has been designated, payments will be made directly to the regional office, where they will be received by authorized regional collecting officials. In cases where collections are received in the regional office for this or any other reason, Receipts will be issued by the regional collecting official and the copies distributed in the usual manner, except that where there is a local collecting official, the fourth copy of the Receipt will be immediately forwarded to him for his information.

III APPLICATION OF REMITTANCES:

A It will be the responsibility of the collecting official to determine and indicate on the Receipt the correct application of each remittance. Application to the proper suffix should be shown by inserting the suffix number at the end of the case number. Application as between principal and interest should be shown when necessary by writing separately in the top portion of the Receipt the amount to be applied to principal and the amount to be applied as interest. After writing each amount, the word "Principal" or "Interest" should be inserted.

E Application as between FSA and trust fund and managed corporation accounts MUST be made as follows:

1 If the remittance is from the sale of mortgaged property (or produce) it must be applied to the note identified with the earliest mortgage on the security thus sold. In addition to indicating the correct suffix number, it is important that the Receipt contain a description of the mortgaged property sold.

2 If the remittance is from a source other than the sale of mortgaged property, the client may request specific application to one or more suffixes, in which case the election should be indicated either by the signature of the client in the space provided or by a written request which will be transmitted with the second copy of the Receipt to the U. S. Treasury State Accounts office for the region. If the client does not make an election, the collecting official should indicate the proper application on the Receipt by showing the amount to be prorated to each account. Proration should be computed so that the amount to be applied to each account will be in the same ratio as the unpaid principal amounts of the FSA, and trust fund or managed corporation loans.

3 Where a note, given to a state RF corporation (together with whatever security was held for the note), was assigned by the corporation to the FSA ("transferred loan"), any remittance must be applied first to the FSA loan made to complete that commitment and any excess to the corporation trust fund. (This does not apply to proceeds from the sale of property not encumbered by the security instruments transferred.)

III (cont.)

C Where application is to be determined as between several suffixes of an FSA account or between several suffixes of a trust fund or managed corporation account and where the remittance is derived from the sale of mortgaged property, the application should be made to the suffix identified with the earliest mortgage on the property sold. If the remittance was not derived from the sale of mortgaged property, it should be applied according to the election of the client. If the client makes no election, the remittance should be applied first to the suffix showing the oldest delinquency. Where there is an unsecured note, application should be made to such note if (1) the remittance is not derived from the sale of mortgaged property; (2) there is no election by the client; and (3) there is no delinquent suffix.

D If the remittance is derived from the sale of mortgaged chattels, the proceeds of which have not been contemplated in the instalment due during the current year, the collecting official should show in addition to the suffix "instalment due (date) ." This will have the result of preventing the account from appearing to be paid up-to-date when repayments are made from the sale of recoverable goods.

E If no application is made by the collecting official as between principal and interest, the repayment will be applied as billed. FSA accounts are billed for principal only until a suffix is paid in full after which interest is billed and application made accordingly. Trust fund and managed corporation accounts are billed so as to show principal and interest due.

IV SCHEDULING OF REMITTANCES:

A All collections will be transmitted on the day received, directly to the appropriate U. S. Treasury State Disbursing clerk for the region by first-class mail in a separate envelop containing only the day's collections. Personal checks, certified checks, bank drafts, and money orders will be transmitted as received with endorsements as indicated above, and the collecting official will convert any cash received into postal money orders payable to the Treasurer of the United States.

B When advisable, the collecting official may delegate to his assistant or another employee in his office (who is properly authorized to receive collections and is bonded) authority to prepare applications for money orders and to execute Standard Form No. 1074, Rev., for the money order fees. Notice of each such delegation of authority must be submitted in duplicate to the regional office and directed to the regional FC manager and the regional Loan and Collection section. When such authority is used, the employee will sign the application and Standard Form No. 1074, Rev., with the name of the collecting official, followed by the word, "By", and then his own name.

C The collecting official or another employee to whom such authority has been delegated will make himself known to the local postmaster by means of the "Identification Card", supplied by the regional director, and will prepare an application or applications for a sufficient number of postal money orders of one hundred dollars (\$100) each and/or one money order of less than one hundred dollars (\$100) to balance to the total of the cash presented, payable to the Treasurer of the United States and drawn on the postmaster of the city in which the U. S. Treasury State Disbursing clerk for the region is located.

1 Fees covering the purchase of postal money orders will be paid by means of Standard Form No. 1074, Rev., "Public Voucher for Purchases and Services other than Personal", prepared in

IV C 1 (cont.)

favor of the postmaster as payee, by the collecting official. One copy of Standard Form No. 1034, Rev., and three yellow copies of Standard Form No. 1034a, Rev., will be prepared. Receipt stubs for postal money orders purchased must be attached to the original of the voucher given to the postmaster, together with two yellow copies of Standard Form No. 1034a, Rev. A notation will be made on the face of the postal money order application, reading: "Fees paid by Standard Form No. 1034, Rev." If required by the postmaster, one additional copy of Standard Form No. 1034a, Rev. will be made for his file.

2 The postmaster, at the close of business on the last day of each month, will transmit the original and two yellow copies of the voucher or vouchers with the receipt stubs attached, in an envelop addressed to the FC manager of the region in which the issuing post office is located.

D All collections made during the day will be scheduled by the collecting official on Standard Form No. 1044, "Schedule of Collections", prepared in an original and (except on RP projects see instructions under classification series 560) six copies. The Form will be filled in completely, except for the space provided for "Period of Accountability" which should be left blank. All Schedules should be numbered serially for each collecting office. All monies should be scheduled into the "Special Deposits Account" of the appropriate U. S. Treasury State Disbursing clerk for the region. (Rev. 11 16 39)

E Copies of Standard Form No. 1044, together with the collections and copies of the Receipts should be forwarded by the collecting official by franked first class mail and distributed as follows: (Rev. 11 16 39)

1 The original and two unsigned copies, with the day's collections to the U. S. Treasury State Disbursing clerk for the region.

2 One unsigned copy, to the U. S. Treasury State Accounts office for the region. (Rev. 11 16 39)

3 One unsigned copy with the second and third copies of each Receipt, to the regional FC manager. (Added 11 16 39)

4 One unsigned copy, with the fourth copy of each Receipt, to the regional office (Loan and Collection section). (Renumbered and revised 11 16 39)

5 One unsigned copy, together with the fifth copy of the Receipt, should be retained by the collecting official. (Renumbered and revised 11 16 39)

6 Upon receipt of the original and two copies of Standard Form No. 1044, with the day's collections, by the U. S. Treasury State Disbursing clerk for the region, one copy will be signed as a receipt for such collections and returned to the collecting official. This copy will be routed through the U. S. Treasury State Accounts office for the region and the office of the regional FC manager in order that receipted information may be transcribed to the advance copies of Standard Form No. 1044, which will have been sent to both offices. When the receipted copy is received by the collecting official, the suspense copy in the collecting office may be destroyed. (Renumbered and revised 11 16 39)

IV (cont.)

F Unidentified collections received by collecting officials will also be scheduled on Standard Form No. 1044, with such information as is available and transmitted to the U. S. Treasury State Disbursing clerk for the region with the other collections. The missing information on such unidentified collections will be transmitted to the regional office as soon as available, for clearance of such additional information to the regional FC manager. (Rev. 11-16-39)

G When remittances are made directly to the regional office, one copy of Standard Form No. 1044, and the fifth copy of the Receipt will be forwarded to the appropriate local collecting official (Rev. 11-16-39)

RR LOAN BILLING AND REMITTANCES - REGIONAL OFFICE PROCEDURE**I BILLING:**

A Copies of all bills prepared by the regional FC manager will be delivered to the regional Loan and Collection section for analysis, collection follow-up, and other loan servicing and processing actions.

B Whenever, in the discretion of the regional Loan and Collection section, an account should not be billed, Form FSA-RR 180, "Notice to Discontinue Billing", will be prepared in an original and two copies. The original will be sent to the regional FC manager as a notice to discontinue billing, and will specify the date billing is to be resumed. The Form will not be used in connection with forbearance actions.

C The original of all due bills will be mailed directly to the clients, except in the instances of special bills for reconciliation purposes and fully paid or overpaid accounts, in which cases the originals will be delivered to the regional Loan and Collection section for appropriate disposition. Copies of all bills will be mailed to the collecting official by the regional FC manager.

D Requests for special statements will be transmitted to the regional FC manager on Treasury Form A-30, "Request for Statement of Account".

E It will be the responsibility of the regional Loan and Collection section to prepare date schedules by states (or parts of states) for bills, taking into consideration the crop and marketing conditions and the period of maturities within the region, and to transmit such schedules to the Washington office for approval before submission to the regional FC manager. The regional Loan and Collection section will collaborate with the regional FC manager as may be necessary in order to insure adherence to the billing arrangements.

II REMITTANCES AND RECEIPTS:

A The regional Loan and Collection section will issue receipt books, Form FSA-FI 37, Receipt, to authorized collecting officials and maintain a close check on all outstanding and incoming Receipts. Any missing Receipts will be investigated immediately.

B For remittances received in the field, the regional Loan and Collection section will carefully check the second copy of all Receipts (received attached to Schedules of Collections) to determine if they are properly prepared, and check them against the register of receipts for proper sequence. If the Receipts are found in order, they will be forwarded immediately to the Client Record unit for clearance of signals, and thence immediately to the Client File station.

C Remittances received by the regional office will be received only by a bonded employee in the regional Loan and Collection section, and will be receipted for and scheduled substantially in accordance with FSA Instruction 761.1. Receipts will be distributed as follows: (1) The original to the client; (2) the first copy to the regional FC manager; (3) the second copy to the Client Record unit and thence to the Client File station for filing in the case folders; and (4) the third copy will be forwarded to the appropriate collecting official.

DISTRIBUTION: A-

III TRANSMITTALS OF SCHEDULES OF COLLECTIONS - STANDARD FORM NO. 1044:

A One copy of each Standard Form No. 1044, "Schedule of Collections", prepared by the collecting official will be received by the regional Loan and Collection section, where it will be examined for proper sequence, for proper preparation, and for determination that the items described thereon correspond with the receipts attached. This copy will then be forwarded to the office of the regional FC manager, where it will eventually be filed for permanent record. (Rev. 11-16-39)

B Upon receipt in the office of the regional FC manager of the receipted copy from the U. S. Treasury State Accounts office for the region, the receipted information thereon will be transcribed to the advance copy, and the receipted copy will be forwarded to the collecting official. When the copy is received from the regional Loan and Collection section, the receipted information, which will have been transcribed to the advance copy, will then be transcribed to the copy received from the regional Loan and Collection section, and the advance copy, with the receipted information will be forwarded by franked first-class mail to the General Accounting Office, Washington, D. C. The copy received from the regional Loan and Collection section will then be filed in the office of the regional FC manager, and will be made available to the regional Loan and Collection section upon request. (Rev. 11-16-39)

IV UNCOLLECTABLE ITEMS: Notice of uncollectable items (for example, "N.G." or "N.S.F." checks and so forth) will be received on Standard Form No. 1044 submitted by the U. S. Treasury State Disbursing Clerk for the region. One copy of Standard Form No. 1044 for uncollectable checks will be receipted by the regional Loan and Collection section and returned to the U. S. Treasury State Disbursing clerk for the region, and one copy will be retained in the regional office for follow-up with the collecting official. Notice of the uncollectable items will be forwarded to the Client Record unit (Kardex) for appropriate correction of the records.

V JOINT CHECKS: The chief of the regional Loan and Collection section is authorized to endorse joint checks of the type described in paragraph I of FSA Instruction 761.1, and he may delegate this function either generally or for special cases, and in whole or in part, to collecting officials. The chief of the regional Loan and Collection section will prepare for the signature of the regional director a letter notifying the bank, authorized to accept joint checks, of the delegated authority.

RR LOANS - COLLECTING OFFICE PROCEDURE - SERVICING OF ACCOUNTS

I MEMORANDUM COUNTY RECORDS:

A Memorandum records of clients' accounts shall be maintained in each collecting office on Form FSA-RR 187, "Memorandum Record of Client's Account", or other form approved by the Administrator in order to record loan and security information essential for proper servicing of the accounts. These records should be kept current at all times.

B The official accounting records are maintained by the U. S. Treasury State Accounts offices for the regions for FSA accounts, and by the regional FC managers in the regional offices for trust fund and managed corporation accounts.

C Memorandum records will serve the following purposes:

1 Provide a record on which both the FSA and corporation accounts for a client may be consolidated and considered in their entirety.

2 Provide a facility for the thorough analysis of each account and the security in connection therewith so as to insure adequate security for each loan and the proper handling of partial and full releases.

3 Enable collecting officials to determine the correct application of repayments for designation on the receipts.

4 Provide a record for repayment information including receipt numbers and the balance due.

5 Provide a uniform consolidated record of all servicing information.

D The memorandum records should provide the following information:

1 The case number, name, and address of the client.

2 The rate of interest.

3 The name of the bank in which there is a joint controlled deposit account.

4 The date, amount, and repayment terms of each advance.

5 The suffix numbers.

6 The date, amount, application and receipt number of each repayment.

7 The balance of principal due on each loan.

8 A description of security for each loan, including the date and place of filing.

9 A description of the security (including the value) released from the mortgage and the purpose for which the release has been made.

DISTRIBUTION: A, F and J.

Rehabilitation
Collection
Servicing of Accounts

I D (cont.)

10 A record of each servicing action including interviews, form letters, correspondence, or other information in connection with the account.

E Records on Form FSA-RR 187 will be set up as follows:

1 All standard FSA or trust fund and managed corporation loans to one individual (including cooperative loans to an individual) should be listed on the same Form FSA-RR 187. Additional copies may be prepared if desired for use in the field by the collecting official (and Home Management supervisor). The Form is designed for insertion in a loose leaf notebook and should be filed alphabetically by counties.

2 The fixed loan information (name, address, case number, source of each loan, amount of each loan, interest rate on each loan, suffix, FSA or corporation, date of note, amount of note, repayment plan) will be entered on the Form at the time each loan is made.

3 The spaces headed "Loans Authorized" at the top of the Form will indicate the type of loan, that is, whether a state RR corporation loan, state RR corporation transferred loan, FSA standard RR loan, or FSA cooperative loan, and so forth.

4 Suffix numbers are used to identify the various loans. It is important that each entry on the front side of the Form be identified by a suffix number. For example, the security and partial release information must be identified by suffix numbers to insure accurate correlation between the various loans and the security for each loan.

5 The "Repayment Plan" column will contain information as to the maturity date of each installment.

6 Repayments will be entered at the time the receipt is issued. The entries will be made in chronological order and identified by a suffix number in a circle in the last column headed "Balance Due". The date of the repayment will be the same as the Receipt. The application determined by the collecting official, as indicated on the Receipt, will be entered in the appropriate columns. The amount shown in the "Balance Due" column is obtained by subtracting the amount of the repayment applied to principal from the original amount of the loan or from the previous "Balance Due" if repayments have been made. Whenever a new amount is entered in the "Balance Due" column, the previous "Balance Due" for that suffix will be crossed out. When a suffix is paid in full, the word "Paid" will be written in the "Balance Due" column. It is not necessary that repayment entries be made on the same horizontal line as that in which the corresponding loan information is entered.

7 When an account is renewed, the renewal suffix will be shown in the first column and cross reference made to the accounts included in the renewed account, by writing the symbol "R" followed by the number of the renewal suffix at the extreme left margin opposite the suffix renewed. An "R" will also be placed after the "FSA" or "Corporation" designation of the Renewal Note in the second column. The "Balance Due" will be crossed out when a suffix is renewed and the suffix number of the Renewal Note, in which a balance of an unpaid note has been included, will be indicated in the extreme right margin.

I E (cont.)

8 The "Description of Security" will be brief, but sufficient to identify all the security for each loan. It is important that the filing information, including the line and book reference number corresponding to the county or parish records, be entered as soon as the mortgage has been filed or recorded.

9 Information in connection with partial releases will be entered as soon as the release has been approved. It is important that the proper suffix and the purpose for which the release is given (as indicated in par. 5 of Form FSA-LE 90) be entered in the appropriate columns. The description will be sufficient to identify the security as listed under "Description of Security". The value of the security released will be the value determined at the time application for release is made as indicated on Form FSA-LE 90, "Application for Release of Mortgaged Property".

10 Memorandum records should be checked against copies of bills and copies of Treasury Form B-42 or other forms used to indicate the current status of the account, at the time such Forms are received by the collecting official.

11 Information shown on the reverse side of the Form should include only what is pertinent to the servicing of the loans and security. All interviews with clients and form letters or other contacts should be recorded.

F A supplementary form, Form FSA-RR 187A should be used when additional space is required for listing of repayments.

G In cases where the loan funds have been deposited to the joint controlled bank account of the client and collecting official, a record of all deposits and withdrawals should be maintained by the collecting official on Form FSA-RR 188, "Statement of Deposits and Withdrawals". This Form should be inserted in the same notebook provided for Form FSA-RR 187 and filed immediately after the corresponding Form FSA-RR 187.

1 These records in county offices should be verified periodically by the district RR or administrative supervisor.

2 The items or chattels purchased with each withdrawal or other purpose for which the funds are used should be listed in the column headed "Purpose".

II BILLING:

A Bills will be prepared by the regional FC manager for all FSA, trust fund, and managed corporation loan accounts. The original of all due bills will be mailed to the client, and copies will be sent to the appropriate collecting official for information and necessary follow-up actions. (Rev. 7-25-39)

B Bills will be issued at certain prescribed periods to correspond as nearly as possible with the periods of crop maturities or other income. All billings will be general billings and will include all delinquencies and also maturities through the end of the month next following the date the

II B (cont.)

bills are rendered. Copies of Statements of Account on which no payments are due will also be forwarded to collecting officials so as to indicate the latest status of the account of each borrower.

III STEPS IN THE LOAN SERVICING AND COLLECTION PROCEDURE:

A Upon receipt of a copy of a bill or Statement, a 3" x 5" follow-up card will be prepared, indicating the follow-up date. The card will show the name of the client and a brief statement as to the form or personal servicing being given. The follow-up date will also be shown in pencil in the upper right corner of the bill or Statement which will be placed in the client's loan docket (all correspondence pertaining to each loan will be consolidated into one file).

B Unless Form FSA-RR 131, "Suspension of Personal Servicing", is received from the regional office, the collecting official will follow the regular procedure for servicing loans as hereinafter prescribed.

C If the client does not make payment of the amount due or fails to make satisfactory explanation or arrangement, the collecting official will request payment through the use of Form FSA-RR 125, Collection Letter, 15 days after a payment becomes due, and will enter on the 3" x 5" card, "Form FSA-RR 125 _____ (date) _____", indicating that this Form has been mailed as of the date entered, and will file this card so that it will come up for further handling ten days later. A copy of Form FSA-RR 125 will, in all cases, be forwarded to the regional office.

D If the borrower does not pay or does not call within 10 days after the mailing of Form FSA-RR 125, the collecting official will call upon him at his place of residence and, if possible, make collection. If the collecting official is unable to make collection, he will prepare Form FSA-RR 126, "Loan Servicing Information"; Form FSA-RR 127, "Forbearance Recommendation"; Form FSA-RR 134, "Report"; or any other form which may be appropriate to the circumstances of the case.

1 Form FSA-RR 126 may be used in the event the borrower is unable to make payment. It provides for explanation, with adequate survey of the circumstances, and for the recommendation of the collecting official.

2 A forbearance may be granted if it is evident that the client is unable to pay because of unavoidable delay in harvesting, or if the condition of his livestock is unfavorable for marketing, or if other conditions exist which would seem to make a postponement of his payment necessary or advisable. Collecting officials are authorized to approve forbearances not to exceed 60 days. District RR supervisors are authorized to approve forbearances not in excess of six months. (Rev. 11-10-39)

III (cont.)

E Notice of approval or disapproval will be given in the following manner: (Rev. 11-10-39)

1 The client will be notified of the approved forbearance by means of Form FSA-RR 129, a copy of which will be sent to the regional office, together with either Form FSA-RR 126 or Form FSA-RR 127 giving information in regard to the reasons for the forbearance. Notation will be made on the 3" x 5" card as to the next follow-up date, five days after the expiration of the forbearance period. (Rev. 11-10-39)

2 If a forbearance is disapproved or if for some other reason further collection efforts are deemed necessary either Form FSA-RR 13, or a special typewritten letter will be sent to the client and a copy forwarded to the regional office. A notation will be made on the 3" x 5" card for appropriate follow-up either by letter or personal call, within the next 10 days. (Rev. 11-10-39)

F If the borrower fails to remit or make satisfactory arrangements within the specified time after Form FSA-RR 130 has been mailed, the collecting official will call upon him within five days at which time a careful review of the circumstances will be made, the results of which should be communicated promptly to the regional office, through the use of Form FSA-RR 133, "Report on Defaulted Case". The follow-up card will be filed so as to come up 15 days later to await instructions from the regional office.

G The regional office, after receiving Form FSA-RR 133, will prepare Form FSA-RR 134, "Report", or a specially dictated letter for the information and guidance of the collecting official. If the borrower is then permitted forbearance, the follow-up card will be filed so that at the expiration of an allotted time he will be approached again in the event payment has not been made as agreed.

H If, in the judgment of the collecting official, the best interests of the FSA will be served by a departure from the procedure herein prescribed, he may make such recommendations on either Form FSA-RR 123, Form FSA-RR 134, or on any other form that may best serve his purpose.

I The collecting official will use Form FSA-RR 134 and other forms as prescribed herein in communicating his observations to the regional office. When, under special circumstances a letter to the client from the collecting official becomes necessary, a copy of such letter will be sent to the regional office for the attention of the regional Loan and Collection section.

J When an account passes beyond a personal servicing stage and can be handled to better advantage by special correspondence, such handling shall be given by the regional Loan and Collection section or other regional office section designated by the regional director. Copies of letters written will be sent to the collecting official for his information and for use in providing such assistance as he may be in a position to give.

1 Promptly upon receipt of any letter in the regional office, which indicates the advisability of suspending personal servicing, pending consideration of further action, Form FSA-RR 131, "Suspension of Personal Servicing", will be sent to the collecting official. Personal servicing will be resumed when the collecting official has been requested to give such handling either by letter or Form FSA-RR 134.

III J (cont.)

2 After an account has been taken over by the regional office for handling, there may be requests from that office for further information or assistance either through the use of Form FSA-RR 134, "Report", or such other form as may best serve the purpose. Such requests must be met within 30 days.

K **Correspondence** All correspondence in connection with accounts will be addressed to the regional director for the attention of the regional Loan and Collection section. Collecting officials should not correspond with other states or regions, the various Treasury Offices, the U. S. district attorney, the Office of the Solicitor or the regional attorney, or organizations outside the FSA but should refer all such matters to the regional office for handling. An exception is granted to permit the answering of correspondence from the U. S. district attorney or the regional attorney regarding cases being handled by them. When special letters to a client, U. S. district attorney, or regional attorney are necessary or advisable, copies should be sent to the regional office for the attention of the regional Loan and Collection section.

IV **FINAL SETTLEMENT AND SURRENDER OF NOTES:**

A When a note has been paid in full, it will be endorsed in the regional office with a notation indicating the fact that it has been paid and will be sent to the collecting official for return to the client.

B Security instruments will be satisfied when all notes for which such instruments serve as security have been paid in full. The regional office will execute all satisfactions requiring the use of Form FSA-LE 77 _____, "Satisfaction", and forward the signed original and a signed copy to the collecting official. The original and signed copies shall be given to the client (the signed copy for filing or recording if the client wishes to clear the record, or for any purchaser of the property). If satisfaction on Form FSA-LE 77 _____ is not necessary, the regional office will authorize the necessary satisfaction.

C When state law requires the mortgagee to satisfy of record and pay the charges, the collecting official should file or record the signed copy of the "Satisfaction" and schedule the charges on Standard Form No. 1034 Rev. Collecting officials are hereby authorized to record and file such Satisfactions as are required by state law, as agents and attorneys-in-fact for the United States, the Secretary of Agriculture and the FSA, and are also authorized to make marginal notations of such Satisfactions on the records of the office of registry, when they are issued by the regional office.

REGIONAL SERVICING OF RR LOAN ACCOUNTS**I KARDEX SYSTEM:**

A The collection servicing records will be kept on 5" x 8" cards, Form FSA-RR 142, "Servicing History", for individual loan accounts and will be filed in Kardex equipment.

B The exclusive use of the back pocket of the Kardex will be reserved for collection and security servicing record purposes.

C Colored signals will be used on Forms FSA-RR 142 to indicate the status of each account. The regional loan servicing record will serve the following purposes:

- 1 Provide an effective control and survey of servicing operations.
- 2 Classify each delinquent case according to type (FSA or state RR corporation, and so forth).
- 3 Provide a follow-up system for the servicing and collecting of all RR loans.
- 4 Indicate the repayment (or delinquency) status of each case.
- 5 Indicate the type of servicing given to each case.
- 6 Provide reports on the delinquency status and the extent of servicing activity for all RR loans.

D Notations are to be made on Form FSA-RR 142 showing a record of the forms and other correspondence, with dates and a brief summary of the handling given pertaining to the loan and security servicing actions. These notations will be made by the record operator when switching signals. The information thus shown will be of service in preparing any summary or survey which may be found to be necessary from time to time. Particularly will reasons for non-payment be shown if such reasons are known.

E Detailed instructions for the setting of signals and handling of other actions, in connection with servicing operations will be found in FSA Instruction 762.3. Special follow-ups, in addition to those prescribed, may be requested by the regional Loan and Collection section personnel.

II SERVICING REPORT: Form FSA-RR 136, "Monthly Servicing Report", will be prepared each month in an original and four copies to reflect by state and counties the total number of signals appearing in each of the positions on Form FSA-RR 142. The Report will be distributed by the chief of the regional Loan and Collection section as follows:

- A Original to the Director of the RR Division, Washington, D C., for the Collection Section
- B Copy to chief, regional Loan and Collection section.
- C Copy to the assistant regional director in charge of RR.

DISTRIBUTION: A.

II (cont.)

D Copy to the state FR director concerned.

E Copy retained by the Client Record unit of the regional Loan and Collection section.

III REGIONAL LOAN SERVICING AND COLLECTION PROCEDURE:

A **Bills.** Copies of all bills prepared by the accounting office will be received by the Client Record unit. Form FSA-RR 142, "Servicing History", will then be prepared and copies of bills will be inserted in the Kardex and signals set to indicate the extent of the delinquency and the type of loan if delinquent. If payment is not received within the 30-day period, a follow-up notice will be sent to the collecting official.

B **Repayments.** All incoming copies of Receipts, Form FSA-FI 37, will be cleared through Kardex and appropriate changes made in the delinquency and servicing signals. The date and amount of partial repayments will be noted in pencil on the bill and a follow-up signal for 30 days will be set to await further remittances or a report of servicing action.

C **General Instructions.**

1 If the client makes a partial payment, or some proposal which is receiving consideration of the collecting office or the regional office, or if other special circumstances arise, the servicing procedure herein may be modified where necessary. In other words, the forms, signals, and servicing action to be taken will be determined by the circumstances of the case.

2 To expedite the flow of work within the regional office, Form FSA-RR 144, "Notice to Kardex", will be used freely to notify the Kardex operator of follow-up dates and other information which the person handling a case learns from the forms and correspondence. There should be a complete coordination between the subject matter of the files and the service records. Kardex operators will not be required to examine each and every incoming form or letter and will not set signals except as provided in connection with the receipt of forms which obviously reflect the nature of the action taken, such as Form FSA-RR 125.

3 Whenever forbearance is suggested and whenever information on any form provided by the collecting official carries information which may or may not be in accordance with the information provided at the time the loan was made, such information will be compared with the papers in the loan docket file and the terms and provisions of the note or other instruments will be consulted to ascertain whether present information or proposal is at variance therewith.

D **Form Handling.**

1 **GENERAL.** The forms prescribed for the servicing of accounts have been designed in order to insure thorough consideration of each case and to make certain that proper servicing activity has ensued. It is important, therefore, that consideration be given to the circumstances of each case so that the forms used will not only be applicable to the situation but will contribute as much as possible toward the effective handling of each case. Thus it is not necessary that the forms be used according to the numerical sequence of the form numbers or the order in which they are presented in these instructions.

2 **CLEARING FORMS THROUGH KARDEX.** All servicing forms will be cleared through the Client Record unit when received in and transmitted from the regional office. This will provide an opportunity for changing the signals and making appropriate notations on the Kardex servicing record, Form

III D 2 (cont.)

FSA RR 142, and for the setting of follow-up signs. Copies of the bills inserted in the Kardex will be taken out and delivered with the Form to the appropriate personnel of the regional Loan and Collection section. As a general rule, the original of out-going forms will be released directly to the mail room. A copy, together with the copy of the bill, sent to the Client Record unit where it will be cleared through Kardex and then forwarded to the Client File station for filing in the client's case file.

3 FORM FSA RR 125, REQUEST FOR PAYMENT. Copies of this Form prepared by the collecting official, will be received by the Client Record unit for clearance through Kardex and will then be forwarded directly to the Client File station without further attention.

4 FORM FSA RR 126, "LOAN SERVICING INFORMATION". The original will be received from the collecting official by the Client Record unit and referred with the file and statement of account to the personnel in the regional Loan and Collection section assigned to deal with the actions therein referred to. After the circumstances have been given careful consideration, appropriate action will be taken and, if necessary, the collecting official advised through the use of Form FSA RR 134 or letter, preferably the former. If, however, the collecting official is not in need of advice with reference to the case and indicates that he will give further attention, the Form will be referred to the Kardex operator with the follow-up date indicated to await further servicing action. The statement will also be returned to the Client Record unit to be reinserted in the Kardex pocket.

5 FORM FSA RR 127, "FORBEARANCE RECOMMENDATION". This Form will be received by the Client Record unit cleared through Kardex and forwarded, with a statement of the account, to the appropriate personnel in the regional Loan and Collection section. (Rev. 11-10-39)

6 FORM FSA RR 129, FORM LETTER APPROVING FORBEARANCE. Copies of this Form, prepared by the collecting official, will be received by the Client Record unit for clearance through Kardex and will then be forwarded directly to the Client File station without further attention.

7 FORM FSA RR 130, SECOND REQUEST FOR PAYMENT. Copies of this Form prepared by the collecting official, will be received by the Client Record unit for clearance through Kardex and will then be forwarded directly to the Client File station without further attention.

8 FORM FSA RR 131, "SUSPENSION OF PERSONAL SERVICING". Promptly upon receipt of any letter which indicates the advisability of suspending personal servicing, pending consideration of further action, Form FSA RR 131 will be prepared and sent to the collecting official. Personal servicing will be resumed when the collecting official has been requested to give such further handling either by letter or by Form FSA RR 134.

9 FORM FSA RR 132, "TRACER". This Form will be used to direct the attention of a collecting official to required action which has not yet been taken.

10 FORM FSA RR 133, "REPORT ON DEFAULTED CASE". The original and one copy of this Form will be received from the collecting official by the Client Record unit, cleared through Kardex, and forwarded, together with the statement of the account and the case file, to the chief of the regional Loan and Collection section who will cause the case to be carefully reviewed and the proper servicing action to be taken.

III D (cont.)

11 FORM FSA-RR 134, "REPORT". This Form may be used by either the collecting official or the regional office as a medium of transmitting information, advice, recommendations, or instructions at any stage of the loan servicing activity, and may be employed in lieu of dictated letters or other forms. When used by the collecting official, the original will be received by the Client File station and after clearance through Kardex will be referred, with the statement and file attached, to the personnel within the regional Loan and Collection section assigned to handle problems of the character therein described. If the collecting official requests or is in need of information, advice, or instructions, the regional Loan and Collection section will transmit such through the use of Form FSA-RR 134 or by letter, preferably the former. A copy of the Form or letter will be sent with the statement of account to the Client Record unit for the setting of appropriate signals and making of proper notations on Form FSA-RR 142 and returned with the statement to the Kardex pocket.

12 CROP FAILURES. If the cause of non-payment is due to crop failure resulting from drought, flood, crop infestation, or other causes beyond the control of the client, information to this effect will be transmitted to the Client Record unit on Form FSA-RR 144, "Notice to Kardex".

IV CORRESPONDENCE:

A When an account passes beyond the personal servicing stage and can or should be handled to better advantage by specially dictated correspondence, such handling should be by the regional Loan and Collection section. If, however, a letter is written by the collecting official, a copy of such letter will be received by the regional office for its information and for recording on the Kardex.

B Copies of letters written to clients by the regional Loan and Collection section will be sent to the respective collecting official for his information and for use in providing such assistance as he may be in a position to give.

C The collecting official and the regional Loan and Collection section will employ Form FSA-RR 134 and other forms prescribed herein in communicating their observations and instructions to the regional office.

D The authorized collection letters and forms are Form FSA-RR 125, Request for Payment, Form FSA-RR 129, Letter Approving Forbearance, and Form FSA-RR 130, Second Request for Payment. These Forms will be used by the collecting official, and copies will be provided the regional office for its information and for recording on the Kardex.

E All incoming correspondence received in the regional office pertaining to the servicing of an individual account will be routed to the Kardex operator in the regional Loan and Collection section, who will remove the "Notice of Payment Due" from the Kardex and pass the Notice and letter to the appropriate individual.

V **INTERCOUNTY, INTERSTATE AND INTERREGIONAL TRANSACTIONS:** Transactions and correspondence pertaining to collections involving other FSA offices will be handled through the regional Loan and Collection sections in cooperation with the respective collecting officials

VI **FINAL SETTLEMENT, CANCELATION, AND SURRENDER OF NOTES:**

A The authority to surrender notes and to satisfy security instruments is vested only in the assistant regional director in charge of RR.

B Notes may be surrendered only after a statement of account is received showing that the note has been paid in full. (Acceptance of a renewal note is not payment.) Security instruments will be satisfied only if all the loans secured thereby have been paid in full. The files and servicing records will be carefully examined to make certain that there is no further obligation evidenced by the note or mortgage.

VII **ENDORSEMENTS:** Endorsements indicating payments by clients on notes will be made by the regional Loan and Collection section solely upon information provided from the records of the regional FC manager

X A (cont.)

Kardex instructions for security follow-up, except that red pencil will be used to record the month in which the insurance policy expires. For example, during the current year of 1939, an insurance policy expiring April 1942, would be designated by a number 4 written on a signal located in the "RR" position. If the expiration date of an insurance policy falls within the same year as the expiration date of a security instrument, one signal will be set and the month of expiration of the security will be written in black and the month of expiration of the insurance in red on the same signal. For example, during the current year of 1939, a mortgage expiring in March 1941, and an insurance policy expiring in August 1941, would be signaled by a number 3 written in black and a number 8 written in red on a signal placed in the "TT" position. If the mortgage (other than on real estate) and the insurance policy both expire later than the third following year, one signal will be set in the "SS" position as outlined in Kardex instructions for security follow-up, and the necessary information with respect to the expiration date of the mortgage and of the insurance policy will be entered in black and red respectively on the signal.

B At the time the white opaque signal is set on Form FSA-RR 131, a description of the policy will be recorded on Form FSA-RR 142B.

C Prior to the tenth day of each month, the Client Record unit will make follow-ups on the insurance policies and certificates expiring in the next month in the manner prescribed in the Kardex instructions for security follow-up. A similar follow-up will also be made on all policies and certificates expiring in the current month which have not been renewed or paid and on all such cases a blue signal will be set in the second position on Form FSA-RR 142. Appropriate follow-up signals will be set in the thirteenth position and the blue signal will remain in the second position until the insurance has been paid. Appropriate notices will be sent to the chief of the regional TP section.

D **Renewal of Policy of Subsequent Premium Payment.** When the chief of the regional TP section receives a renewal insurance policy or certificate of insurance, he will notify the Client Record unit to change the signal on Form FSA-RR 131 and to note any appropriate changes on Form FSA-RR 142B.

E The Client Record unit will be informed through the employment of appropriate servicing forms of all servicing actions of the regional TP and RR sections, and of the county RR supervisors. Notations will be made on Form FSA-RR 142, "Servicing History", and signals will be set as prescribed or as specifically indicated.

VIII (cont.)

C **Receipts.** Receipts for TP repayments, marked "Extra Payment. Not to be Deducted from Next Annual Instalment", are to be applied to the loan so as not to affect the amount of the regular annual requirement; shall be noted in the Kardex on Form FSA-RR 142 to show the amount and circumstances of the repayments; and shall then be referred to the chief of the regional TP section before being forwarded to the Client File station.

D **Reports.**

1 The Client Record unit will prepare Form FSA-RR 136a, "Monthly Servicing Report for TP and RR Loans to TP Borrowers", as prescribed in FSA Instruction 662.2, paragraph V A. On Form FSA-RR 136a, the report of servicing activities by counties will be divided into two parts so as to summarize the servicing activities on each of the two payment plans ("Fixed" or "Variable")

2 The General Services unit will furnish the regional FC manager (who will fill in Form FSA-TP 11B) with a county list of all borrowers whose loans were closed prior to March 31 of the current fiscal year, indicating the type of payment plan for each borrower and also the borrowers who have RR loans. (See Exhibit G of FSA Instruction 680.2 for preparation and submission.) (Rev. 2-1-40)

IX **PAYMENTS OF TAXES AND INSURANCE ON TP LOAN CASES:** (Added 8-29-39)

A **General.** It will be the responsibility of the Client Record unit to maintain a record of taxes and insurance due and paid in connection with TP loans and to set appropriate follow-up signals so as to insure the necessary servicing action in respect to taxes and insurance.

B **Record and Follow-up on Taxes and Assessments.**

1 **MASTER CARD.** Form FSA-RR 142A, "Servicing History - Master Card", will be prepared for each county showing the following information in regard to the taxes and assessments: The tax collecting office and the offices in which the tax records are available; dates due and payable; dates delinquent; dates on which penalties are assessed and the rates of penalty; dates on which the unpaid taxes and assessments will become a lien against the property; and the dates when property will be subject to sale for non-payment of taxes and assessments together with the provisions of the law with respect to notice, method of sale, and redemption rights. The due date of taxes will be shown in the right half of the upper margin by marking the block for the month in which the taxes are due with a green pencil and writing directly thereunder the day of the month. The date on which the taxes are delinquent will be marked in a similar manner except that a red pencil should be used to mark the appropriate block and the day of the month. The coloring of the blocks by means of a pencil or crayon is used in lieu of movable signals because the dates will be the same each year for the same county, unless changed by law, in which event a new Master Card should be prepared. If there are special assessments which become due separately from the taxes, they should be signaled by flags of the same color as are used for the blocks.

2 **INDIVIDUAL RECORDS.** Records of payments and other information in connection with taxes and insurance for each TP loan will be maintained on Form FSA-RR 142B, "Individual Record", and filed in the pocket formed by Form FSA-RR 142 in the Kardex. In the column headed "Tax or Assessment", write in the type of taxes and assessments levied, such as county, school, road, and so forth. In the column headed "If by Instalment Indicate Number", write in after "Amount" the full amount of the taxes or assessments levied and after "Instalments", the number of instalments in which the taxes or assessments may be paid.

IX B (cont.)

3 On the date taxes become due, as indicated by the green signal on the Master Card, the Client Record unit will notify the chief of the regional TP section that taxes are due and will set orange signals in the second position on the individual servicing cards, Form FSA-RR 142, for each of the TP borrowers. These signals will remain until the due tax instalments have been paid.

4 Notices of payments of taxes or assessments on Form FSA-RR 134 will be received in the Client Record unit from the county RR supervisors and will be posted to the Kardex by noting in the appropriate space on Form FSA-RR 142B the date, amount and the years for which taxes are paid. If the tax payments remitted are in the full amount of taxes due, the orange signal in the second position will be removed. Form FSA-RR 134 will be forwarded to the chief of the regional TP section for review and then be sent to the Client File station for the case files.

5 On the date taxes become delinquent as indicated by the red signal on the Master Card, the Client Record unit will set red signals in the follow-up position on Form FSA-RR 142 fifteen days after the delinquency date to await receipt of the special report of the tax search from the county RR supervisor.

6 When this special report containing a list of borrowers showing the exact status of taxes for each borrower is received from the county RR supervisor, the Client Record unit will refer the original of this report immediately to the chief of the regional TP section and will compare the copy retained by it with the records and servicing information appearing in the Kardex. If the special report indicates that taxes have been paid which have not previously been reported as paid, the orange signals in the second position will be removed. Likewise, any information with respect to unpaid taxes, recommendations and other servicing and record information appearing on the list should be reconciled with the Kardex records. After this reconciliation, red signals should be set on the Kardex to a period thirty days from the delinquency date for all cases on which a tax signal (orange in the second position) still appears. Thereafter, the period of follow-up for each individual case will be designated by the chief of the regional TP section until the delinquent taxes are fully paid. When taxes are paid, both the orange signal in the second position and the follow-up signal should be removed.

7 The Client Record unit when receiving forms or communications from the county RR supervisors, will, in all instances, withdraw the "Individual Record Card", Form FSA-RR 142B and forward it to the chief of the regional TP section who will return it after it has served his purpose.

8 The chief of the regional TP section will refer to the Client Record unit a copy of all forms and communications addressed to county RR supervisors with reference to individual cases and indicate the dates of desired follow-up that it may make appropriate servicing notations and set proper signals.

X **RECORD AND FOLLOW-UP ON INSURANCE POLICIES (TP LOANS):** (Added 8-29-39)

A When information pertaining to the policy or certificate of insurance is received in the Client Record unit, the expiration date will be shown by a white opaque signal on the front side of the Kardex in the same manner as outlined for the expiration date of security instruments in

VI (cont.)

E **Form FSA-RR 132, "Tracer"**. A copy of this Form will be received in the Client Record unit and a notation made on Form FSA-RR 142 as to the action which is being traced. A further follow-up will be set as requested. Other servicing signals should not be removed until some further action is taken. A copy of the Form will be forwarded to the Client File station.

F **Form FSA-RR 138, "Change of Address"**. This Form will be received in the Client Record unit where appropriate notations will be made on the Kardex cards and the Form will then be forwarded to the collection personnel.

G **Form FSA-RR 141, "Report on Deceased Borrower"**. Post to Kardex and set signal for special handling. Do not set follow-up signal unless requested by collection personnel. (Renumbered 12-22-39)

H **Form FSA-RR 144, "Notice to Kardex"**. Post to Kardex the information noted on the Form and set necessary follow-up signals. (Renumbered 12-22-39)

I **Form FSA-RR 184, "Application to Move Security Property"**. Post to Kardex, but do not signal. (Renumbered 12-22-39)

J **Form FSA-RR 185, "Verification of Address"**. Post to Kardex, and set 30-day follow-up to await the preparation of Treasury Form A-29 by the regional Loan and Collection section. (Renumbered 12-22-39)

VII **REPORTS:** Form FSA-RR 136, "Monthly Servicing Report", will be prepared each month and will reflect the total number of signals appearing in each of the positions on Form FSA-RR 142. The report will be distributed as provided in paragraph II of FSA Instruction 762.2.

VIII **TP LOANS:** (Added 5-3-39)A **Servicing Records.**

1 The collection servicing records for TP loans will be kept on Form FSA-RR 142, "Servicing History", and will be filed in a section of the Kardex separate from the section for RR loans only. All Forms FSA-RR 142 for RR loans to TP borrowers will also be filed in the TP section of the Kardex.

2 Form FSA-RR 142 will be prepared for all TP loans at the time the case becomes so classified if a similar Form has not been prepared for an RR loan to the same client. Signals will be set in the following positions:

<u>Position</u>	<u>Signal</u>	<u>Status</u>
1	Violet	TP Loan on Variable Payment Plan.
	Green	TP Loan on Fixed Payment Plan.
	Orange	Borrower's Trust Fund Account on Fixed Payment Plan.

VIII A.2 (cont.)

<u>Position</u>	<u>Signal</u>	<u>Status</u>
1	Tan	Borrower's Trust Fund Account on Variable Payment Plan.
8	Violet	Form FSA RR 134 sent to county RR supervisor to remind him of expiration of borrower's fiscal year. (Set follow up for 30 days beyond the end of the fiscal year to await submission of Form FSA-TP 14, "Borrower's Net Income Return", from the chief of the regional TP section, as prepared by the collecting official.)
	Green	Form FSA-TP 14, "Borrower's Net Income Return", received from the collecting office. (Set 15-day follow up for handling by the regional TP section and for preparation of Form FSA-FC 65 by the regional Loan and Collection section.) (Added 1-25-40)
9	Violet	Form FSA FC 65, "Notice of Amount Due", prepared and sent to the regional FC manager. (Set follow-up signal for 30 days beyond the billing date specified on Form FSA FC 65.)
13	White Opaque (With date)	Indicates end of borrower's fiscal year as obtained from the Promissory Note, Form FSA LE 190 or any amendment thereto. If all or nearly all TP accounts in any particular region have the fiscal year ending on the same day, this signal may be omitted except in those cases where the end of the fiscal year is different from the uniform date which has been established for other TP loans. (Rev. 1-25-40)
16		Appropriate signal to denote the type of RR loan whether or not delinquent. (Rev. 1-25-40)

These signals will be changed when either the type of the loans change or servicing actions occur.

3 The applicable amortization schedule, including the amount and date of the annual installment, will be shown on the flap of Form FSA RR 142. (Rev. 1-25-40)

4 The information as indicated on Form FSA RR 142, either by signals or by notations, will serve as a record of servicing operations.

5 All servicing actions for RR loans to TP borrowers will be shown on Form FSA RR 142 and by the signals as prescribed for RR loans and the signals referred to herein.

B Bills.

1 Copies of all bills (Form FSA-FC 23, "Notice of Payment Due", as revised for TP loan accounts) will be housed in the Kardex when received from the regional FC manager and will remain there until replaced by the next bills. For bills showing amounts due, a follow up signal will be set 90 days beyond the due date and the violet signal in the 9th position will be removed. If no repayment is received by the end of the 90 day period, the bill should be removed and sent to the chief of the regional Loan and Collection section for follow-up action.

2 Bills for RR loans received for a TP client will be housed along with the TP bill and signals set in accordance with the instructions for RR loans.

RR LOANS - COLLECTING OFFICE PROCEDURE - RENEWALS

I GENERAL CONSIDERATIONS:

A When individual circumstances of the borrower so justify, collecting officials may recommend renewal of all notes given by a borrower, when one or more are in default. Renewal of borrower's obligations should be made only after analysis of the borrower's situation and appraisal of the security. This analysis should be made on the basis of a revised Farm Plan, Form FSA-RR 14, or Form FSA-RR 133, "Report on Defaulted Case". Where the renewal involves an emergency case, such a case should be carefully reviewed to determine whether it can and should be made a standard rehabilitation case. Where it is found to be impossible to rework it as a standard case, the regional director or his delegatee may approve renewal without requiring the development of Form FSA-RR 14, if in his judgment it is impracticable to require such a Form and he feels that renewal may be made on a constructive basis without the use of this Form. X

B No loan to an individual shall be renewed for a period in excess of five years from the date of the renewal. When several notes have been taken for one loan or for several loans, all the notes may be renewed and consolidated if there is a default in any one of them. It is the desire of the FSA to do this wherever possible. In making renewals and extensions, consideration will be given to the useful life of the property comprising the security and the welfare of both the borrower and the FSA. In renewing state RR corporation and corporation trust fund loans, interest, if charged, shall be charged uniformly at the same rate as is charged in renewing comparable FSA loans.

C Collecting officials may not grant renewals or extensions, or make any commitments relative to the action which might be taken by the FSA, but they may recommend such renewal or extension.

II PROCEDURE:

A When a renewal is contemplated, the collecting official will prepare Form FSA-RR 14 (if it is or can be made a standard case) and/or Form FSA-RR 133, setting forth the circumstances of the case and justifying renewal action. If Form FSA-RR 133 is prepared, those portions which would contain information appearing on the accompanying Form FSA-RR 14 may be marked "See Form FSA-RR 14 herewith." X

B The collecting official will prepare Form FSA-LE 124____, "Renewal Promissory Note". The Renewal Note will be made for the balance of unpaid principal plus the accrued interest to the date of renewal, which will be the date to which interest has been computed. Accrued unpaid interest and the unpaid principal on the notes being renewed will be indicated separately on the face of the Renewal Note, so that compounding of interest will be avoided. The face of the Note will show the full new repayment schedule, in the same manner as Form FSA-LE 31____, "Promissory Note". Accrued interest included in the Renewal Note will be made payable on or before the date of repayment of the first instalment of principal. (Rev. 5-23-39)

C The specified payee of a Renewal Note, whether for FSA or trust fund items, will be "The United States of America". However, a Note given for the renewal of a corporation loan will be typed or stamped directly under the title of the Form, "Trust Fund Account" to insure proper identification for accounting and other purposes.

D When a Renewal Note has been signed by the client, the original and one copy should be forwarded to the regional office.

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E After the Renewal Note has been taken into the records, the regional office will stamp the old notes "Renewed Not Paid" and, if the regional attorney approves this practice, forward them to the collecting official for return to the client. Notes will not be returned if, in the opinion of the regional attorney this will result in possible legal disadvantage or inconvenience to the Government. (Rev. 5-23-39)

III REVIEW OF SECURITY:

A In every instance when a renewal is recommended, the collecting official will review the security held and make or have made a lien search to determine the FSA's position in connection with the security. All property descriptions in the security instruments will be checked against an actual inspection and inventory of the client's property.

B A new mortgage or similar instrument, Form FSA-LE 30____, "Crop and Chattel Mortgage" will be taken in place of the existing security when one or more of the following conditions are present: (1) When the existing property descriptions are inadequate, because they were originally prepared poorly, because of a change in the security (for example, increase of livestock), or because numerous releases have been granted and the record complicated thereby, (2) when there are several mortgage or similar forms which could more conveniently be combined into one, (3) when the security instrument will expire soon, or (4) when a new mortgage or similar instrument will soon be needed to cover the next crop.

C Before new security is taken to replace the old, a lien search will be made to assure maintenance of the FSA's priority. If necessary, subordination agreements will be secured from intervening lien holders. Advice from the regional office will be sought when legal advice is necessary.

D The new security instrument, Form FSA-LE 30____, need describe only the Renewal Note, Form FSA-LE 124____, and any additional Promissory Note taken for a current supplementary loan. ~~4~~

III B 2 (cont.)

officer (as distinguished from the U. S. Treasury State Disbursing clerk for the region used in connection with RR loans). Whereas one copy of Standard Form No. 1044, Revised, "Schedule of Collections", and the duplicate copy of each receipt are sent to the appropriate U. S. Treasury State Accounts office for the region in the case of RR loan collections, the corresponding copies of Standard Form No. 1044, Revised, and each receipt for TP loan collections will be forwarded to the regional FC manager.

3 Upon receiving a receipted copy of Standard Form No. 1044, Revised, from the U. S. Treasury Regional Disbursing officer, the regional FC manager will transcribe the receipted information to the copy of Standard Form No. 1044, Revised, previously submitted to him with the duplicate copies of the receipts; will forward the receipted copy of Standard Form No. 1044, Revised, to the FC Division in Washington; and will prepare Standard Form No. 1046, "Schedule of Transfer -- Special Deposits", transferring the collections from the Special Deposits Account to the appropriate receipt accounts for principal and interest.

4 In scheduling such TP loan collections, county RR supervisors will show "G. F. Allen, Chief Disbursing Officer" after the words, "Received by", in the heading of Standard Form No. 1044, Revised, "Schedule of Collections"; will use the Collection Account Symbol numbers for the U. S. Treasury Regional Disbursing officer to whom the collections will be forwarded.

5 Where the client makes payment on his TP loan account and on an RR loan account at the same time, the county RR supervisor will, if possible, secure a separate check or other form of payment to apply on the TP loan account in order that it may be scheduled separately. Separate receipts will be given for the portions of the payment applying to the TP and to the RR accounts even if separate payments cannot be obtained. Where separate payments are received, the receipt and payment applying to the TP loan will be handled as described above and the receipt and payment applying to the RR loan will be handled as prescribed for RR loan collections. When separate payments cannot be obtained, the remittance and the receipt applying to the RR loan portion will be handled as prescribed for RR loan collections, but an extra copy of Standard Form No. 1044, Revised, will be prepared and forwarded, with the duplicate copy of each receipt covering a TP payment, to the regional FC manager.

6 In cases where separate payment cannot be secured, and in cases where TP loan collections are scheduled through error to the U. S. Treasury State Disbursing clerk for the region, such TP loan collections will be reported to the regional FC manager on Treasury Form B-27, "Register of Collections Applied", and the regional FC manager will transfer such TP funds on Standard Form No. 1046 as in the case of state RR corporation loan collections. In any cases where TP loan collections have been scheduled to the U. S. Treasury State Disbursing clerk for the region, the regional FC manager will request the U. S. Treasury State Accounts office for the region to prepare and forward to him two copies of each receipted Standard Form No. 1044, Revised, concerned. Upon receipt of these copies, the regional FC manager will forward one copy to the FC Division in Washington.

7 In cases in which the county RR supervisor has erroneously scheduled to the U. S. Treasury Regional Disbursing officer collections on loans that should have been scheduled to the U. S. Treasury State Disbursing clerk for the region, the regional FC manager, using the receipted copy of Standard Form No. 1044, Revised, as a basis, will prepare a copy of Standard Form No. 1044, Revised, indicating the Certificate of Deposit number and amount, and forward this copy to the U. S.

III B 7 (cont.)

Treasury State Accounts office for the region together with a letter indicating the portion of the collection not applicable to the TP loan account.

8 The office of the regional FC manager will use copies of Standard Form No. 1046 as posting media to the clients' individual TP loan accounts.

IV **UNEXPENDED BALANCES:**

A In order to apply any balance of a TP loan which is unexpended after completion of the purchase and the authorized repairs and improvements as a repayment of the TP loan, the county RR supervisor will countersign a check drawn by the borrower in favor of the Farm Security Administration and issue a Receipt on Form FSA-FI 37 for such payment. The county RR supervisor will indicate on the Receipt, Form FSA-FI 37, that remittances are not from the sale of mortgaged property, by specifying that the payment is an unexpended balance to be applied to the TP note, Form FSA-LE 190, "Promissory Note", or Form FSA-LE 190B, "Bond". It will not be necessary to indicate specific application in the case of repayments of unexpended balances on TP loans.

B If such unexpended balance is less than two hundred dollars (\$200), it may be credited to the account of the borrower without the necessity for recomputing his amortization schedule. However, if the unexpended balance is two hundred dollars (\$200) or more, a new amortization schedule should be computed for the borrower on the basis of the original principal as reduced by the repayment of the unexpended balance.

RR LOAN RENEWALS - REGIONAL OFFICE PROCEDURE

I GENERAL CONSIDERATIONS:

A When individual circumstances of the borrower so justify, renewal of all notes given by a borrower may be effected if one or more are in default. Renewal of borrower's obligations should be made only after analysis of the situation and appraisal of the security as reflected by the forms received from the collecting official and the forms and correspondence in the case file. This analysis should be made on the basis of a revised Farm Plan, Form FSA RR 14, and Form FSA RR 133 "Report on Defaulted Case". Renewal involving an emergency case should be carefully reviewed to determine whether it can and should be made a standard rehabilitation case. Where it is found to be impossible to rework it as a standard case, the regional director or the assistant regional director in charge of RR (if so designated by the regional director to act in his stead) may approve renewal without requiring the development of Form FSA RR 14, if in his judgment it is impracticable to require such a Form and it is considered that renewal may be made on a constructive basis without the use of this Form. The assistant regional director in charge of RR, when so authorized, may delegate his authority to approve renewals in whole or in part to the chief of the regional Loan and Collection section.

B The regional Loan and Collection section will advise and instruct the collecting official so as to insure constructive collection and renewal actions.

II PROCEDURE:

A Recommendations for renewal actions submitted in accordance with FSA Instruction 763 1 will be carefully reviewed in the regional Loan and Collection section and, if approved by that section, will be forwarded to the regional director, or the assistant regional director in charge of RR, for final approval. (If the recommendation for renewal is approved and if the renewal note has not already been prepared, the collecting official will be instructed to prepare Form FSA LE 124 —, "Renewal Promissory Note". After obtaining the client's signature, the original and one copy of the Note will be forwarded to the regional office.)

B The regional Loan and Collection section, after receipt and approval of the Renewal Note, will forward a copy to the regional FC manager and authorize, through the use of a rubber stamped notation on the face thereof, the acceptance of the Renewal Note and the cancellation of the note or notes being renewed thereby. It will be the responsibility of the regional Loan and Collection section to carefully check all Renewal Notes before they are submitted to the regional FC manager. (Rev. 11 20 39)

C After a Renewal Note has been taken into the records, the chief of the regional Loan and Collection section is authorized, if the regional attorney approves this practice, to relinquish the original notes by returning them to the collecting office for delivery to the clients. Notes thus returned should be stamped "Renewed - Not Paid".

D The Renewal Note, Form FSA LE 124 —, will also be used for renewing the "transferred" Corporation cases, that is, cases in which notes and security instruments executed by state RR corpo-

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ration clients were pledged with the Government as further security for loans made by the Government. Extension agreements will not be used. In order to keep corporation loans separate from FSA loans, with respect to repayments, two Renewal Notes should be used in each transferred case, one for the corporation portion of the debt and one for the FSA portion. Repayment instalments on the corporation portion should be dated to begin after the date of the last instalment of the FSA portion.

E All actions in connection with renewals will be cleared through the Client Record unit as soon as they are received in and transmitted from the regional office.

RR LOANS - COLLECTING OFFICE PROCEDURE - SECURITY SERVICING

I CLIENT'S CUSTODY:

A All property serving as security for an FSA or state RR corporation loan must be given reasonable care by the client to preserve its value and to protect it from destruction or undue depreciation.

II CONTROL OVER SECURITY:

A It will be the responsibility of the regional Loan and Collection section and the collecting officials to maintain the necessary control and supervision over security property to preserve its value and to protect it from destruction or undue depreciation, and to see that no action is taken in connection with any security which may jeopardize the ultimate collection of the loan.

B If the collecting official should learn that any client has disposed of mortgaged property or produce without authorization or has taken any action which might impair the value of the security, he shall immediately make a complete report to the regional Loan and Collection section.

C The regional Loan and Collection section will maintain a record of the security and will indicate by signals the date on which the security expires. At least 45 days in advance of the expiration date of the security, the regional office will notify the collecting official and will require the collection of the full amount of the note thus secured, if due, renewal of the security, or the substitution of security of at least equal value.

D Upon receipt of notification from the regional office that security should be renewed, the collecting official should check the property descriptions in the security instruments held against an inventory of the client's property. If he finds that the descriptions on the security instruments are inadequate or there is more mortgageable property available which could be covered to make the security adequate, and by a lien search determines that no intervening liens exist which would endanger the FSA's priority, then he should attempt to secure the client's signature on a new security instrument, making sure that the property descriptions are adequate. If no additional mortgageable property is available, or if there are intervening liens, or if for any reason a new mortgage would not improve the Government's security, or if the client refuses to sign a new security instrument, then Form FSA-LE 126., "Affidavit of Extension and Renewal", shall be executed by the collecting official and filed or recorded with the original security. Authority is hereby granted each collecting official to execute Form FSA-LE 126., as agent for the Secretary of Agriculture, acting for and on behalf of the United States. At least 25 days before the expiration date of the old security, a report should be submitted to the regional office, giving full information as to the action taken, including an inventory of the security before renewal. Expenses of filing or recording Form FSA-LE 126. will be paid on Standard Form No. 1034, Rev. If a renewal mortgage is executed, release of the old mortgage will be handled by the regional office. (Rev. 5-12-39)

E If for any reason the collecting official believes it advisable to await instruction from the regional office before proceeding with the execution of the instruments renewing the security, he should make a report at least 25 days before the expiration date of the security to the regional office for attention of the regional Loan and Collection section of all facts and circumstances, together with a complete inventory of chattels indicating whether they are mortgaged. At least 15 days before the expiration of the security, the regional office will instruct the collecting official as to

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II E (cont.)

the decision of the regional office in regard to continuation, renewal, or substitution of security, or such other action as may be deemed advisable. Upon receipt of the regional office instructions, the collecting official will promptly prepare and have executed and recorded the necessary security instruments and will report to the regional office as outlined above.

III **ADDITIONAL SECURITY:**

A If at any time additional security is deemed advisable, the collecting official will attempt to obtain the additional security and notify the regional office in regard to the action taken. This applies particularly to dairy and other assignments on Form FSA-LE 80, "The Assignment of the Proceeds from the Sale of Agricultural Products", and other special security forms.

IV **RELEASE OF SECURITY OTHER THAN REAL ESTATE SECURITY:** (Rev. 3-19-40)

A **Release of Mortgaged Property May Be Granted.**

- 1 To enable repayment of the client's indebtedness.
- 2 To further the client's rehabilitation by permitting the sale or exchange of mortgaged property and use of proceeds for:
 - a Expenditures contemplated in the approved Farm Plan and made from proceeds derived from the sale of crops, livestock, and livestock products, the sale of which has been contemplated in the Farm Plan.
 - b Farming expenses not contemplated in the approved Farm Plan, providing (1) such expenditure does not represent a material deviation from the Farm Plan, or (2) such release is justified by a revised Farm Plan.
 - c Purchase (or acquisition by exchange) of other property better suited to the client's needs. The new property must be inspected by the collecting official or district RR supervisor and found to be suitable to the client's needs, and must be made subject to a first mortgage. Excess proceeds must be applied to the client's indebtedness.
 - d Subsistence or emergency needs.
 - e If the client's account is paid up-to-date, including all instalments due during the current crop season, crops may be released for farming or other justifiable expenses, including the expenses of the next crop.
- 3 To preserve the remainder of the property from deterioration or spoilage.
- 4 To liquidate the client's account (complete explanation, justifying the client's withdrawal from the rehabilitation program, will be required in each such case).

B **Authority to Approve and Execute Releases of Security Other Than Real Estate Security.** The collecting official may approve and execute releases for the following purposes: (1) To allow the client to make repayment on his indebtedness from the sale of property contemplated in the Farm Plan, and (2) to provide for expenditures contemplated in the Farm Plan when made from the proceeds derived from the sale of property contemplated in the Farm Plan. Authority for all other releases is vested in the regional director or his delegatee. (Rev. 3-19-40)

RR LOANS - COLLECTING OFFICE PROCEDURE - SECURITY SERVICING

I CLIENT'S CUSTODY:

A All property serving as security for an FSA or state RR corporation loan must be given reasonable care by the client to preserve its value and to protect it from destruction or undue depreciation.

II CONTROL OVER SECURITY:

A It will be the responsibility of the regional Loan and Collection section and the collecting officials to maintain the necessary control and supervision over security property to preserve its value and to protect it from destruction or undue depreciation, and to see that no action is taken in connection with any security which may jeopardize the ultimate collection of the loan.

B If the collecting official should learn that any client has disposed of mortgaged property or produce without authorization or has taken any action which might impair the value of the security, he shall immediately make a complete report to the regional Loan and Collection section.

C The regional Loan and Collection section will maintain a record of the security and will indicate by signals the date on which the security expires. At least 45 days in advance of the expiration date of the security, the regional office will notify the collecting official and will require the collection of the full amount of the note thus secured, if due, renewal of the security, or the substitution of security of at least equal value.

D Upon receipt of notification from the regional office that security should be renewed, the collecting official should check the property descriptions in the security instruments held against an inventory of the client's property. If he finds that the descriptions on the security instruments are inadequate or there is more mortgageable property available which could be covered to make the security adequate, and by a lien search determines that no intervening liens exist which would endanger the FSA's priority, then he should attempt to secure the client's signature on a new security instrument, making sure that the property descriptions are adequate. If no additional mortgageable property is available, or if there are intervening liens, or if for any reason a new mortgage would not improve the Government's security, or if the client refuses to sign a new security instrument, then Form FSA-LE 126., "Affidavit of Extension and Renewal", shall be executed by the collecting official and filed or recorded with the original security. Authority is hereby granted each collecting official to execute Form FSA-LE 126., as agent for the Secretary of Agriculture, acting for and on behalf of the United States. At least 25 days before the expiration date of the old security, a report should be submitted to the regional office, giving full information as to the action taken, including an inventory of the security before renewal. Expenses of filing or recording Form FSA-LE 126. will be paid on Standard Form No. 1034, Rev. If a renewal mortgage is executed, release of the old mortgage will be handled by the regional office. (Rev. 5-12-39)

E If for any reason the collecting official believes it advisable to await instruction from the regional office before proceeding with the execution of the instruments renewing the security, he should make a report at least 25 days before the expiration date of the security to the regional office for attention of the regional Loan and Collection section of all facts and circumstances, together with a complete inventory of chattels indicating whether they are mortgaged. At least 15 days before the expiration of the security, the regional office will instruct the collecting official as to

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II E (cont.)

the decision of the regional office in regard to continuation, renewal, or substitution of security, or such other action as may be deemed advisable. Upon receipt of the regional office instructions, the collecting official will promptly prepare and have executed and recorded the necessary security instruments and will report to the regional office as outlined above.

III **ADDITIONAL SECURITY:**

A If at any time additional security is deemed advisable, the collecting official will attempt to obtain the additional security and notify the regional office in regard to the action taken. This applies particularly to dairy and other assignments on Form FSA-LE 80, "The Assignment of the Proceeds from the Sale of Agricultural Products", and other special security forms.

IV **RELEASE OF SECURITY OTHER THAN REAL ESTATE SECURITY:** (Rev. 3-19-40)

A **Release of Mortgaged Property May Be Granted.**

1 To enable repayment of the client's indebtedness.

2 To further the client's rehabilitation by permitting the sale or exchange of mortgaged property and use of proceeds for:

a Expenditures contemplated in the approved Farm Plan and made from proceeds derived from the sale of crops, livestock, and livestock products, the sale of which has been contemplated in the Farm Plan.

b Farming expenses not contemplated in the approved Farm Plan, providing (1) such expenditure does not represent a material deviation from the Farm Plan, or (2) such release is justified by a revised Farm Plan.

c Purchase (or acquisition by exchange) of other property better suited to the client's needs. The new property must be inspected by the collecting official or district RR supervisor and found to be suitable to the client's needs, and must be made subject to a first mortgage. Excess proceeds must be applied to the client's indebtedness.

d Subsistence or emergency needs.

e If the client's account is paid up-to-date, including all instalments due during the current crop season, crops may be released for farming or other justifiable expenses, including the expenses of the next crop.

3 To preserve the remainder of the property from deterioration or spoilage.

4 To liquidate the client's account (complete explanation, justifying the client's withdrawal from the rehabilitation program, will be required in each such case).

B **Authority to Approve and Execute Releases of Security Other Than Real Estate Security.** The collecting official may approve and execute releases for the following purposes: (1) To allow the client to make repayment on his indebtedness from the sale of property contemplated in the Farm Plan, and (2) to provide for expenditures contemplated in the Farm Plan when made from the proceeds derived from the sale of property contemplated in the Farm Plan. Authority for all other releases is vested in the regional director or his delegatee. (Rev. 3-19-40)

IV (cont.)

C **Suspension of Assignments.** Requests for the suspension of assignments of proceeds from the sale of agricultural products, including dairy assignments, will be handled in the same manner as requests for the release of mortgaged property. Such requests will be granted under the same circumstances and by the same officials as are shown above for the release of mortgaged property.

D **Application for and Execution of Releases.**

1 The client may request the release of his mortgaged property, or any part thereof, by applying to the collecting official and filling out Form FSA-LE 90, "Application for Release of Mortgaged Property", (in an original and three copies in county offices, and in an original and two copies in project offices).

2 If the collecting official approves the "Application for Release of the Mortgaged Property", he will, if authorized, prepare and execute Form FSA-LE 99.____, "Release", (in an original and three copies in county offices, and in an original and two copies in project offices), and distribute the original to the client; one copy attached to the original of Form FSA-LE 90 to the regional office (Loan and Collection section): (one copy attached to a copy of Form FSA-LE 90 to the district RR supervisor, for county offices); and one copy with a copy of Form FSA-LE 90 to be retained by the collecting official.

3 If the collecting official is not authorized to approve the Application for Release, he will forward all copies of Form FSA-LE 90 (prepared as indicated above), with his recommendations attached, to the appropriate official authorized to approve the release (the regional director or his delegatee), who will, if he approves, execute Form FSA-LE 99.____, and make distribution as shown above. If the Application is disapproved, it will be returned to the collecting official with reasons attached.

4 All releases of chattel mortgages and similar instruments must be in writing on Form FSA-LE 99, "Release". (Rev. 3-19-40)

V **RELEASE OF REAL ESTATE SECURITY:** (Added 3-19-40)

A Real estate security may be released in the following cases:

1 Where the borrower wishes to sell part or all of his mortgaged real estate and apply the proceeds on his mortgage debt, provided such action will promote the rehabilitation of the borrower and provided adequate security remains or will be substituted for his indebtedness. Where only a part of these proceeds is to be applied to the debt, the application must be transmitted to Washington for approval of the Director of the RR Division.

2 Where the FSA receives the full value of its junior lien in those cases (1) where the senior lienor is contemplating action on his lien either through foreclosure or acceptance of a deed in lieu of foreclosure; or (2) where the senior lien is being refinanced. In these cases, in the event the security of the Government is a second lien, its value will be determined by subtracting the amount of the first lien from the value of the property as determined by a fair appraisal made at the direction of the regional director. Releases in this category may not be given on the speculative chance of receiving collection. Where the Government's junior lien is determined to be of no value, no release may be executed except by the Comptroller General. Applications for release under these conditions should be prepared with the assistance of the regional attorney and submitted through the Director of the RR Division in Washington.

V A (cont.)

3 Where the borrower wishes to sell mortgaged property so that he may buy other property which is better suited for his purpose or where he wishes to exchange such property for new property. In these cases a Farm Plan should be obtained showing the revised income and farm and home operating expenses that would result in the event the sale or exchange is consummated. Also an appraisal and a title search should be made on any new real estate for which the exchange is to be made for the Government to determine whether the exchange in property is satisfactory to it. The Government should obtain a lien on the new property.

4 Where the borrower wishes to sell a right-of-way or an easement for its fair value to a governmental or a private body having the right of eminent domain. Compensation received from such sales must be applied to the borrower's FSA account.

5 Where a borrower wishes to sell timber, mineral, oil, or other similar rights, the sale of which will not interfere with the operation of the farm for agricultural purposes, provided that the borrower's share of the royalties or other compensation is applied to his FSA account.

6 Where the mortgage was taken by mistake (for example, where a borrower by mistake or by intention, executes a mortgage on property which he does not own and which he cannot mortgage).

7 Where the mortgagor has only a contract to purchase, not a title to the property, and the mortgagor has defaulted on his purchase contract or has otherwise indicated that there is no possibility of his acquiring the title. In such cases, if the mortgagor is entitled to a refund of payments under the purchase contract, such refund must be applied to the FSA loan as a condition of the release.

B All releases of real estate will be submitted to the regional office together with a complete explanation and justification for the action.

1 In every case where the proposed sale will not result in satisfying the Government mortgage debt, an appraisal should be made by a representative of the FSA who has been authorized to conduct real estate appraisals for the Government, provided an appraisal has not been made by the FSA within the preceding year.

2 The request for release of real estate must be accompanied by a statement (which may be included in the justification) showing how the proposed release will affect the operation of the Farm Plan. If the release involves any material change in the operation of the Farm Plan, a new Farm Plan must be submitted with the requested release.

3 In instances where authority to release or to subordinate real estate security is exercised, a copy of the instrument of release or subordination, a copy of the real estate appraisal report, if any, and a statement of explanation and justification must be submitted by the regional office to the Director of the RR Division in Washington for review. Therefore papers prepared by the county RR supervisor to the regional office in connection with releases or subordination of real estate should be submitted in duplicate.

RR LOAN SECURITY SERVICING - REGIONAL OFFICE PROCEDURE

I CONTROL OF SECURITY:

A It will be the responsibility of the regional Loan and Collection section to maintain the necessary control and supervision of security property and to see that no action is taken in connection with any security which may jeopardize the ultimate collection of the loan.

B A record will be maintained of the security on the Kardex indicating by signals the date on which the security expires. At least 45 days in advance of the expiration date of the security, the collecting official will be notified and will be required to collect the full amount of the note thus secured or renew the security, or substitute security of at least equal value.

C At least 25 days before the expiration date of the security, a report should be received from the collecting official giving full information as to the action taken including an inventory of the security before renewal. This report, together with any renewal documents which may be transmitted therewith, should be examined in the regional Loan and Collection section to see that proper action has been taken by the collecting official. If such a report is not received in the specified time, the collecting official will be requested to submit the report promptly.

D When a renewal mortgage is executed, the regional director, or his delegatee, may, with the advice of the regional attorney, release the old mortgage of record if no practicable or legal advantage is to be gained by retaining such old mortgage. (Rev. 5-12-39)

E If for any reason the collecting official requests instructions from the regional office in regard to the execution of the security instruments, the regional Loan and Collection section will issue such instructions at least 15 days before the expiration of the security. (Renumbered 5-12-39)

F Follow-up signals will be retained in the Kardex until the security is actually renewed so that any failure on the part of the collecting official to take prompt action after the original notice has been issued will be called to his attention without delay. (Renumbered 5-12-39)

II ADDITIONAL SECURITY: The regional Loan and Collection section may approve the taking of any additional security offered by the borrower when deemed advisable. In cases where additional security is deemed advisable, the collecting official will attempt to secure the additional security and notify the regional office in regard to the action taken. This applies particularly to the assignment of milk checks and other similar arrangements.

III RELEASE OF SECURITY:

A Releases of mortgaged property may be approved pursuant to the provisions of paragraph IV A of FSA Instruction 764 1. Authority to approve releases which may not be approved by the collecting official as outlined in paragraph IV B of FSA Instruction 764 1 except releases for the purpose of liquidating the client's account, may be delegated by the regional director to the assistant regional director in charge of RR, chief of the regional Loan and Collection section, regional collection adviser, loan approval adviser, and district RR supervisors. Authority to execute releases for the purpose of liquidating a client's account may be delegated to the assistant regional director in charge of RR. All delegations and redelegations of authority must be made in writing and must specify the authority so granted. The delegation will be made a matter of record and a copy will be forwarded immediately to the regional FC manager.

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B **Releases Approved in County or District Office.** Copies of all Forms FSA-LE 90, "Application for Release of Mortgaged Property", approved in county or district offices will be cleared through Kardex and forwarded to the collection personnel for administrative review. It will be the responsibility of the regional Loan and Collection section to determine that all releases have been made in accordance with the regulations and that proper action be taken in instructing collecting officials so as to maintain uniformity of standards and to correct such individual actions as may be necessary.

C **Releases Approved in Regional Office.** Forms FSA-LE 90, "Application for Release of Mortgaged Property", submitted to the regional office for approval will be cleared through Kardex and forwarded to the servicing personnel for review. After approval of the Application for Release, Form FSA-LE 99, "Release", will be prepared in an original and three copies and will be distributed as follows: Original to the collecting official for delivery to the client; one copy attached to the original of Form FSA-LE 90 retained in the regional office; one copy attached to the copy of Form FSA-LE 90 to the district RR supervisor; and one copy to the collecting official.

D Releases for the purpose of liquidating the client's account will be handled under the same procedure, and with the same considerations, as prescribed for voluntary conveyances as provided in FSA instruction 765.2.

E With the approval of the regional attorney, the chief of the regional Loan and Collection section is also authorized to execute releases for the purpose of rectifying errors in mortgages. (For example, where a client by mistake or by intention executes a mortgage on property which he does not own and cannot mortgage.) (Renumbered 3-19-40)

F All incoming and outgoing actions in connection with releases will be cleared through Kardex in order that appropriate signals and follow-ups may be set. (Renumbered 3-19-40)

FOLLOW-UP RELEASES:

A The regional Loan and Collection section will require that new security instruments be sent to the regional office within a reasonable time for any chattels acquired through exchange or sale of mortgaged property and will maintain a close check to see that cash proceeds from the sale or exchange of mortgaged property are properly transmitted to the U. S. Treasury State Disbursing clerk for the region.

B When replacement security is received by the security examiner and meets with his approval, Form FSA-RR 144 is removed from the case file and sent to the operator, marked so as to show that replacement security has been received in order that the follow-up signal in the Kardex may be removed.

RELEASE OF REAL ESTATE SECURITY: (Added 3-19-40)

A Authority to execute releases of mortgaged real estate pursuant to the provisions of the paragraph, "Release of Real Estate Security", of FSA Instruction 764 1 is vested in the regional director and may be delegated to the assistant regional director in charge of RR and to the chief of the regional Loan and Collection section.

B The procedure for handling real estate applications in local and regional offices will be assimilated as closely as possible to the procedure for handling releases of non-real estate security.

V (cont.)

C All releases of real estate will be submitted to the regional attorney for approval and will be made on Form FSA-LE 99, "Release".

D In instances where authority to release or to subordinate real estate security is exercised a copy of the instrument of release or subordination, a copy of the real estate appraisal report, if any, the approval of the regional attorney and a statement of explanation and justification must be submitted by the regional office to the Director of the RR Division in Washington for review.

E Any release of real estate not coming within the scope of the authority delegated above or any release of real estate about which there is doubt as to whether it may be approved in the regional office must be submitted for approval to the Director of the RR Division in Washington with a complete explanation and justification including a statement signed by the regional attorney.

RR LOANS - COLLECTING OFFICE PROCEDURE.- DEFAULT

I GENERAL CONSIDERATIONS:

A Repossessions, foreclosures, and sale of property mortgaged either to the FSA or to a state RR corporation and the resale of property acquired through repossession shall be in accordance with the procedure given herein and with the instructions from the regional office for the state in which the property is situated.

B The collecting officials will investigate carefully conditions which indicate a necessity may develop for taking possession of mortgaged property and will make every effort to enable the client to continue in the rehabilitation program. The following factors should be taken into consideration:

1 The attitude of the borrower; that is, whether he recognizes the obligation and seriously intends to repay whenever he can do so without detriment to his rehabilitation.

2 Whether default was caused by conditions beyond the client's control and whether such conditions may reasonably be regarded as temporary or permanent.

3 If a Farm and Home Plan has been devised, ascertain (a) whether departure from such a Plan has been unavoidable; (b) whether the Plan proved to be impracticable or impossible, and (c) whether a new and revised Farm and Home Plan would enable the borrower to become rehabilitated without the FSA or the state RR corporation having to realize on their security.

4 If the economic status which caused the default is unlikely to improve, consideration should be given to (a) the effect upon the FSA's security if there is a delay in repossession action, or if there is danger of the security becoming permanently impaired; and (b) the desirability of deferring the exercising of legal rights where justified to afford the mortgagor an opportunity to dispose of his property so as to realize his equity, if possible, or to place his obligation in good standing.

5 Whether the borrower possesses assets or additional security (other than that on which the FSA or the state RR corporation has a lien) which may be obtained in lieu of foreclosure action.

6 Whether every reasonable effort has been made to prevent foreclosure and to assist the borrower in bringing his account to good standing.

7 Whether the maximum amount possible would be obtained through immediate forced sale or whether a greater amount would be realized if the borrower were permitted to retain the chattels temporarily in order to await more favorable conditions or to enable him to obtain funds with which to repay a greater amount out of his farming operations than would be possible if he were deprived of his chattels.

8 Whether there is a possibility of the borrower obtaining credit elsewhere with which to pay his indebtedness..

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I B (cont.)

9 Whether the questions may be solved to better advantage through a renewal.

C If, after full consideration of the above items, it becomes apparent that taking possession of mortgaged property cannot be avoided, the collecting official will recommend repossession to the regional office through the use of Form FSA-RR 133, "Report on Defaulted Case".

II REPOSSESSION OF SECURITY - AUTHORITY:

A Any action to repossess property or liquidate a client's account must be approved in advance by the regional office, except when mortgaged property is abandoned.

B When client abandons mortgaged crops or personal property, the collecting official may, without awaiting regional office instructions, forthwith declare the whole of the client's indebtedness immediately due and payable and take physical possession of the property in the name of the mortgagee and proceed in accordance with this Instruction and with the instructions from the regional office for the state in which the property is situated.

C Real estate security can be repossessed only by court action.

D Collecting officials are hereby authorized, subject to the restrictions contained herein to repossess, make provisions for the care of, and sell mortgaged crops and personal property upon default, as agent and attorney-in-fact for the United States, the Secretary of Agriculture, and the FSA.

E The collecting official should not take possession of property if it cannot be secured by peaceful means. If resistance is encountered in his attempt to take possession of the property, he will report that fact to the regional office and proceed in accordance with the instructions received from the regional office for the state concerned or submit a report to the regional office asking for instructions.

F Unless the regional office should otherwise direct, foreclosure of property subject to a conditional sales contract will consist only of repossessing the property as complete satisfaction of such portion of the debt as is secured by this contract and without any claim for a deficiency against the client.

III REPOSSESSION OF SECURITY - PROCEDURE PENDING SALE:

A In states where the regional office so instructs, the client should be asked to sign Form FSA-LE 209, "Agreement for Voluntary Liquidation of Mortgaged Chattels". The procedure hereafter described should be followed whether or not this Agreement is secured.

B Immediately after taking possession of the property, the collecting official will report such property on Form FSA-RR 135, "Report of Property Repossessed", and a lien search should be made in all cases. If any lien held by any outside party against any of the repossessed property is disclosed, an immediate report shall be made to the regional office. Further steps should be deferred, if possible, pending advice from the regional office. Where the situation is covered by this Instruction as supplemented by the instructions from the regional office for the state in which the property is located, reference to the regional office is unnecessary.

III (cont.)

C **Growing Crops.** If the client's landlord has reentered and taken possession of the farm for a breach of the lease, no effort should be made to secure possession, but the collecting official should negotiate for care and disposition of the crop. In any event, consent of the landlord must be secured to the arrangement for care and disposition.

1 An agreement may be executed between the FSA and the landlord or a third party who is willing to complete the cultivation of the crop and harvest it. If the client is a tenant, the landlord's signature on the Agreement must be obtained, whether he or a third party is to cultivate and harvest. Form FSA-LE 211, "Agreement for Cultivation, Harvesting, and Marketing of Growing Crops", or similar form in use in the state, shall be used. The collecting official is authorized to execute this Agreement on behalf of the FSA.

2 The Agreement, Form FSA-LE 211, "Agreement for Cultivation, Harvesting, and Marketing of Growing Crops", or other form of agreement, should be prepared in seven copies, only three of which need be executed. The collecting official will give one executed copy each to the landlord and the third party, if any, and will retain one unexecuted copy for his file. The signed original and three unexecuted copies will be forwarded to the regional office.

3 The growing crop may be sold in place, in accordance with procedure for selling chattels, provided that this Instruction as supplemented by instructions received from the regional office for the state in which the property is situated indicates that the purchaser will get good title to the crop, with the right to cultivate and harvest, and provided that, if the client is a tenant, the landlord agrees to permit a purchaser to cultivate and harvest the crop for a reasonable rental.

4 The custody, care and disposition of growing crops frequently raises intricate legal questions. Whenever the collecting official is in doubt, he should consult the regional office, where legal advice is available. If none of the procedure herein described is feasible, the regional office should be asked for advice.

D **Livestock.** Repossessed livestock shall be delivered by the collecting official to a person with adequate facilities therefor who will agree in writing to care for and feed the livestock during such a period as is necessary, for a reasonable compensation to be agreed upon in advance. Whenever practicable, the animal products produced by such livestock and the use of such livestock shall be computed as part or the whole of the caretaker's compensation. Such delivery, however, shall be made only pursuant to a written agreement on Form FSA-LE 210, "Agreement for Temporary Custody of Property" or a similarly approved form. If a more favorable arrangement cannot be obtained, custody Agreements may provide that the FSA will supply, at its own expense, feed necessary to maintain the livestock. With the permission of the regional office, hay and other feed acquired through foreclosure and owned by the Government may be used for this purpose. The value of such feed, as reported on Treasury Form A-26, will be included in computing the expense of foreclosing the livestock involved or the total cost of the livestock to the Government, as the case may be. (Rev. 6-19-39)

E **Machinery, Farm Equipment, Tools, Harvested Crops and Other Chattels.**

1 All property of this kind (that is, all property except growing crops and livestock) shall be stored and cared for by collecting officials. If no adequate space is available to the

III E 1 (cont.)

collecting official for storing such property, space may be ~~used~~ used for that purpose in the usual manner through the office of the regional office manager, at rates not exceeding those fixed by the regional director for the storage of property of the kind involved in the locality. If special permission is granted by the regional office, such property may be stored by including it in Temporary Custody Agreements executed for the care of livestock, in accordance with the preceding paragraph, with the express provision, however, that such property will not be put to use by the caretaker but will be held in storage only.

2 In all cases, collecting officials should try to anticipate the need for storage space for repossessed farm machinery or other mortgaged property taken from clients, and should make appropriate provision therefor. In emergency cases, when there is not sufficient time to lease storage space for repossessed chattels through the regional office manager, the collecting officials may lease necessary space for short periods not exceeding 30 days at rates not exceeding maximum rates fixed by the regional director. Forms and procedure for such temporary leases will be issued by the regional office. Charges for storage space will be paid as prescribed herein.

IV REPOSSESSION OF SECURITY - SALE OF SECURITY UNDER THE MORTGAGE:

A The sale should be held as soon as legally permissible and practicable. The procedure pending sale, as set forth above, may be dispensed with if immediate sale makes such procedure unnecessary.

B Private sales after repossession are permissible only in the following situations, unless further limited by regional office instructions for the particular state:

1 When the property is perishable and cannot be held for public sale without serious depreciation. The collecting official may, with the approval of the district RR supervisor (in the case of county RR supervisors) or the regional office (in the case of community managers), sell the property for the best cash price which can be secured in the time available, giving Form FSA-LE 213C, "Bill of Sale C", or similar form in use.

2 When there is an active local public market for the property, where it can be sold at the highest cash prices currently obtainable in the locality.

3 In other cases of sale for cash when the client will agree to the price obtained by executing Form FSA-LE 213B to the purchaser. If this procedure can be arranged with the client before repossession, the release procedure can be used. After repossession, the approval of the regional office is required.

4 Where the client has signed Form FSA-LE 209, "Agreement for Voluntary Liquidation of Mortgaged Chattels", and where this Form, as executed, states a minimum price for which the Government may sell property at private sale without further reference to the client.

C Wherever foreclosure sales must be advertised in newspapers, the collecting official will follow instructions under classification series 105. Special regional instructions will advise the collecting official (1) in what types of cases and under what circumstances notices of public foreclosure sales must be advertised in newspapers, if at all; (2) what newspapers should be used; (3) the number and time of insertion of newspaper advertisement; and (4) the form of notice of sale to be used. (Rev. 12-4-39)

D Arrangements for the sale (whether conducted by the sheriff, public auctioneer, private auctioneer, or the collecting official) should be made in accordance with this instruction and with instructions received from the regional office for the particular state involved. The property will be sold to the highest bidder (for cash, where such successful bidder is other than the Government).

IV (cont.)

E The collecting official will attend all public foreclosure sales of mortgaged property of clients under his jurisdiction and at such sales he will observe the following rules:

1 If the sale is conducted by selling the property article by article, the collecting official will examine the schedule of items to be sold to estimate the fair market value and will be governed in his bidding so as to avoid unnecessary acquisition of property of doubtful value which would be difficult to dispose of. If no adequate bid is made for the article or articles and there is not sufficient property to be sold to result in a collection which would equal the amount of the complete indebtedness (including interest and expenses incidental to taking possession of, caring for, and selling the mortgaged property), he will bid the fair market value or the amount of the complete indebtedness, whichever is the lesser. The collecting official will cease all bidding on behalf of the mortgagee at such sale when the sale has progressed to the point where all property sold, including the property purchased by the collecting official on behalf of the mortgagee, equals the amount of the complete indebtedness due the mortgagee.

2 Where all the property is put up for sale and disposed of in a lot, where no bid equals either (a) the fair market value of the property, or (b) the amount of the complete indebtedness due the mortgagee, the collecting official, on behalf of the mortgagee, will bid the lesser of these two amounts.

3 At all sales, regardless of how the property is exposed for sale, competitive and spirited bidding should be encouraged.

V REPOSSESSION OF SECURITY - FINAL ACTIONS:

A The order of priority (by which the collecting official will be governed if he conducts the sale) for the disbursement of the proceeds from a sale (where such proceeds are in the form of cash or are otherwise available for disbursement) will be as follows:

1 First, prior lien holders, to the extent of their liens, and all charges for custody care or storage of property and for conducting the sale shall be paid according to priorities as explained in the instructions received from the regional office for the particular state involved.

2 Second, any balance (to the extent of the FSA or trust fund debt which is secured by the mortgage being foreclosed, including interest and any expenses of repossession, custody or sale not paid out of the proceeds) shall be paid to the FSA or trust fund.

3 Third, junior lien holders, to the extent of their liens shall be paid.

4 Fourth, other FSA and trust fund and managed corporation debts, secured or unsecured, shall be paid.

5 Fifth, the mortgagor shall be paid the balance, if any.

B The amount paid to the FSA shall be scheduled for credit on the client's account on Standard Form No. 1044 in the same manner as for any other collection.

V (cont.)

C Form FSA-RR 168, "Report of Sale of Mortgaged Chattels", will be prepared in four copies. The original and two copies, will be forwarded to the regional office for attention of the Loan and Collection section (attached to copies of Standard Form No. 1044, if cash proceeds have been obtained from the sale). The collecting official will retain one copy. If the property is bid in on behalf of the FSA or a trust fund, the collecting official will attach to the report of sale either a Bill of Sale, executed by the auctioneer in favor of the Government, if this can be obtained, or Form FSA-LE 214, "Certificate of Sale", executed by the collecting official.

D Any charges for custody, care or storage of property, and for conducting the sale, which are not paid out of the proceeds of the sale (because the mortgagee has bid in the property and no cash is available, because the proceeds are in the form of a check which the collecting official is not authorized to cash, or for any other reason) shall be paid by Standard Form No. 1034 (except expenses of newspaper advertising, for which Standard Form No. 1054 will be used) in the usual manner. Any such payments made will be charged to the client's account, when legally permissible. If the advertising bill is paid out of the cash proceeds of sale, the collecting official will transmit the original advertising order, a signed original receipt for payment, and a copy of each issue of the publication containing the advertising or in lieu thereof an affidavit of publication to the regional office, together with his Report of Sale, Form FSA-RR 168. (Rev. 12-4-39)

E The client will be credited with all collections scheduled on Standard Form No. 1044, and with the bid made by the mortgagee (where the FSA bids in the property). The client will remain liable for any deficiency (except where state law provides otherwise on conditional sales contracts)

VI CUSTODY AND DISPOSITION OF PROPERTY ACQUIRED BY THE FSA:

A When property is bid in by the FSA it becomes Government property or property for which the FSA is responsible in a trustee or managerial capacity, and must be accounted for accordingly. (The following instructions apply to repossessed trust fund and managed corporation property as well as to repossessed FSA property unless otherwise indicated, and in general to trust fund and managed corporation property acquired other than through repossession.)

B When the regional office receives Form FSA-RR 168, "Report of Sale of Mortgaged Chattels", (and a copy of the Bill or Certificate of Sale) indicating that the FSA has acquired any property by bidding in, it will report such acquisition to the proper Accounting office on Treasury Form A-26, "Advice of Mortgaged Chattels Acquired". The collecting official will receive a copy of this Form. Thereafter, all reports of any kind dealing with the property shall make reference to the serial number of the Treasury Form A-26 covering that property.

C Pending the disposition of the property, the collecting official is authorized to make arrangements for the custody, care and storage of the property, in the same manner as for repossessed property held pending sale. Charges will be paid on Standard Form No. 1034, Rev., in the usual manner.

D The collecting official should see whether any client under his supervision or any loan applicant can use the property in carrying out a Farm and Home Plan. If so, the property should be sold to that client or applicant for cash or credit. Collecting officials should not arrange for such sales when the property is unsuitable to the client's or applicant's needs or in poor condition; the primary objective is the rehabilitation of the client, not the disposition of the property.

VI (cont.)

E The property shall, if possible, be thus sold to clients at cost, that is, the bid price at the foreclosure sale, plus any expenses of custody, care or storage since acquisition. If this is not possible, the collecting official will then proceed to sell the property at its fair market value in accordance with such instructions as have been or may be received from the regional office. When the property has depreciated in value from the bid-in price, the collecting official will report to the regional office through the district RR supervisor explaining the depreciation.

F When the client or applicant can pay cash for the property, it may be delivered to him with Form FSA-LE 213A, "Bill of Sale A". At the time of delivery, the collecting official will prepare Form FSA-RR 171, "Invoice", in an original and three copies. An explanation of the circumstances of the sale and the sale price will be supplied on the reverse side of Form FSA-RR 171 for all sales. The original and one copy will be transmitted to the U. S. Treasury State Accounts Office for the region with a copy of the Standard Form No. 1044 covering the collection, one copy, together with a copy of the Bill of Sale, will be forwarded to the regional office, and the remaining copy will be retained by the collecting official. Cash collected shall be scheduled in the usual manner on Standard Form No. 1044, except that the collection should be described as "Miscellaneous Receipt from the Sale of Government Property", and reference should be made to the serial number of the Treasury Form A-26 covering the property.

G When the client or applicant cannot pay cash, it may be sold to him on credit. A loan docket should be prepared as in the case of a standard loan, except that (1) the Loan Agreement, Form FSA-RR 15, should indicate on the reverse side that the property is in the possession of the collecting official and is to be advanced in lieu of cash, and should make reference to the serial number of Treasury Form A-26; (2) the Loan Agreement should not include any cash advances to be made at the same time -- a separate Form should be prepared for any simultaneous cash advances; and (3) no loan Voucher, Form FSA-FI 5, need be prepared. When notified of approval of the loan by the regional office, the collecting official shall deliver the property to the borrower with Form FSA-LE 213A, "Bill of Sale A"; prepare the Note and obtain the necessary signatures; take the necessary security; and, at the time of delivery, prepare Form FSA-RR 171, "Invoice", in an original and four copies. An explanation of the circumstances of the sale and the sale price will be supplied on the reverse side of Form FSA-RR 171 for all sales. The client will sign the original to indicate that the property has been received by him and will be given a copy. The signed original and two copies will be forwarded with the Note, a copy of the Bill of Sale, and securing documents to the regional office. The remaining copy of Form FSA-RR 171 will be retained by the collecting official. Thereafter, supervision, servicing, and collection will proceed as in the case of an ordinary standard loan.

H Under the circumstances described in paragraph III D above, hay and other feed acquired through foreclosure and owned by the Government may be used to maintain livestock which is owned or which has been repossessed by the Government under a mortgage foreclosure. The collecting official must obtain permission from the regional office for such use of inventory property, and he will make a report to the regional office as to the property used in this way. The regional director or his designee will then request the regional FC manager to make the necessary adjustment in inventory records. (Rev. 6-19-39)

I When the property being sold was bid-in in liquidation on a trust fund or managed corporation loan, the loan docket upon resale should be prepared in the same manner as for a loan out of trust or managed corporation funds. The property in this case, after having been bid-in, is held by the FSA for the account of the trust fund or managed corporation. (Renumbered 6-19-39)

VI (cont.)

J When the collecting official cannot dispose of the property to a client or applicant in his territory, he may, if the property is in good condition, ask collecting officials in adjoining territories whether they can make disposition to clients or applicants. Upon receipt of a favorable reply, the collecting official shall prepare Form FSA-RR 169, "Report of Inventory Transfers", and forward the original to the regional office and a copy to the other collecting official. The collecting official who has arranged for the disposition will complete the sale to the client or applicant in his territory according to the procedure set forth above. All costs incurred in the transportation of such property to the purchaser may be paid through the use of Standard Form No. 1034, Rev., "Public Voucher for Purchases and Services other than Personal", or Standard Form No. 1068, "Public Voucher for Transportation of Freight or Express", or may be borne by the purchaser, with appropriate adjustment in the price. Standard Form No. 1034, Rev., will be prepared by the collecting official who contracts for the services, or Standard Form No. 1068 will be prepared by the carrier depending upon the type of transportation used. (Renumbered 6-19-39)

K As soon as the collecting official has determined that disposition cannot be made to a client or applicant in his or in adjoining territory, he will report such fact to the regional office on Form FSA-RR 154 within 30 days from the date the property has been bid in, and will proceed in accordance with instructions from the regional office. (Renumbered 6-19-39)

VII LIQUIDATION OF ACCOUNTS WITHOUT REPOSSESSION:

A When the client can find private purchasers for all the security property who offer an adequate price which will be paid to the FSA for credit on the client's account, application should be made to the regional office through the use of Form FSA-LE 90 for authority to make such sale. The client will remain liable for any deficiency.

B In some states, public sales by the mortgagor in his own name are permitted. The procedure for such states will be set forth in instructions issued by the regional office. In every instance, such a sale may be authorized only with the prior approval of the regional office.

VIII LIQUIDATION OF ACCOUNTS BY CIVIL COURT ACTION:

A While a case is in the hands of the regional attorney or the U. S. district attorney, no servicing or collection action of any kind should be taken by the collecting official, except at the request of the regional attorney or the U. S. district attorney. Collecting officials should give full cooperation by complying with any request made by the regional attorney or the U. S. district attorney.

IX BANKRUPTCY:

A If any client should be adjudicated a bankrupt or applies for the benefits of any state or Federal insolvency law, or makes a general assignment for the benefit of creditors, or takes any other steps preparatory to liquidating his property or discharging his debts, prompt notification of such adjudication or application will be transmitted by the collecting official to the regional office for attention of the regional Loan and Collection section, which will in turn refer the matter to the regional attorney.

X COMPROMISES AND ADJUSTMENTS:

A No official of the FSA is authorized to compromise, adjust, or settle any debt owing to the FSA. Debts owing a trust fund or managed corporation, may be compromised, adjusted, or settled by the regional office under certain circumstances.

X (cont.)

B If the collecting official believes that any individual debt owing to a trust fund or managed corporation account should be compromised, adjusted or settled, he should submit his recommendation on any such case to the regional office. The collecting official should in no instance intimate to a client that any compromise, adjustment, or settlement will or may be made except upon specific instructions from the regional office.

C The regional office may compromise, adjust, and settle claims owing to trust fund accounts in the following situations and in accordance with the following terms:

1 Where the client is entitled on equitable grounds to an adjustment in the price of property sold to him by the state RR corporation.

2 Where the client is insolvent and a judgment against him would be of no value, and it further appears that a compromise with a release of the client's liability would result in a collection otherwise unobtainable. In such cases the consideration for the compromise may be money or mortgaged property, or both.

D Where the claims are secured by a mortgage or other lien on real or personal property, such property may be accepted in full payment of the debt if the present market value of the property is not less than the debt, and if this is deemed, under the circumstances, to be the most feasible method of liquidating the account.

E If property is acquired on behalf of the trust fund as a result of a compromise, a "Bill of Sale" should be obtained by the collecting official from the client, transferring title to the property to the United States of America. The records, but not the "Bill of Sale" will indicate that the property is trust fund property.

F All property acquired as the result of a compromise shall be reported on Treasury Form A-26, cared for, and sold in the same manner as property bid in at foreclosure sale.

G When a compromise has been effected, the notes will be returned to the client and the security instruments satisfied in the usual manner.

RR LOAN DEFAULTS - REGIONAL OFFICE PROCEDURE

I CONSIDERATIONS:

A Action decided upon as a result of the examination and study of the facts and recommendations contained on Form FSA-RR 133, "Report on Defaulted Case", will be predicated upon a thorough understanding of the policies of the FSA.

B Members of the staff of the regional office will be guided, in making their recommendations on action to be taken in cases of default, by determination as to whether the default was wilful and with intent to injure the interests of the FSA or state RR corporation, or whether it was caused by circumstances beyond the client's control.

C Before recommending possessive action, full consideration must be given to the opportunities for effecting the rehabilitation of the client if action on the default is withheld and if assistance in the form of forbearance, renewal, grant or additional loan is made available. The extent of possible human suffering and distress which might arise as a result of possessive action will be determined. Full consideration will be given to possible alternative opportunities for the client, provided possessive action were taken.

D If it is determined that mortgaged property should be repossessed, the regional Loan and Collection section, unless it appears impracticable from the information contained on Form FSA-RR 133 and other sources, will, after approval of the assistant regional director in charge of RR, refer the case back to the collecting official, using Form FSA-RR 134, "Report", and instruct him to obtain voluntary possession of the mortgaged property in accordance with FSA Instruction 765.1, as supplemented by the special material. If the collecting official is unable to so obtain voluntary possession or if it appears impracticable to obtain voluntary possession of the mortgaged property, the regional Loan and Collection section will, using Form FSA-RR 137, "Information on Defaulted Case", refer the case, through the regional Farm Management adviser and the assistant regional director in charge of RR, to the regional director with appropriate recommendation. Such recommendation, if approved by the regional director, will be routed by him to the regional attorney with a request for the institution of involuntary procedure to take possession of the mortgaged property.

E The regional Loan and Collection section will advise and instruct the collecting official in regard to repossession in accordance with advice from the regional attorney on matters of law and will assist the regional attorney or the United States Attorney whenever requested to do so.

F All forms and other correspondence to and from the regional office regarding default and repossession action will be routed or reported to the Client Record unit for recording and the setting of follow-up signals.

G Mortgages and similar liens on real estate will be foreclosed only upon approval by the Director of the RR Division in Washington. When recommending foreclosure, the regional director should submit a full statement of the facts of the case, including the status of the account, the probability that the Government will be the only bidder at a foreclosure sale, a statement of other liens, a description of the property and a statement of its value, usefulness as a farm and availability for other Governmental purposes (for example, under Title I of the Bankhead Jones Act, under the land retirement program, and so forth).

DISTRIBUTION: A.

1 (cont.)

H FSA Instruction 765 1, default instructions for collecting officials, states the procedure that will be appropriate and satisfactory for most situations in most states. However, that instruction is intended to be supplemented in some places and changed in others in order to be accommodated to the requirements of state law and administrative expediency and to serve collecting officials as a complete working guide. For this purpose, regional attorneys have been instructed by the Solicitor to prepare special material for the approval of the Solicitor and for issuance by the regional director. This material will be physically interpolated into the pages of 765 1 and keyed to the relevant paragraphs. The special material will be read together with and as part of FSA Instruction 765 1.

II REPOSSESSION OF SECURITY - PROCEDURE PENDING SALE:

A Upon receipt of Form FSA-RR 135, "Report of Property Repossessed", indicating that the collecting official has taken possession of the property, the regional Loan and Collection section will forward any necessary special instructions to the collecting official for guidance in caring for and disposing of the property.

B Space leases received from collecting officials for storing repossessed chattels will be referred to the regional office manager for his records. Space may be leased for short periods not exceeding 30 days and the maximum rates will be fixed by the regional office manager. The approved lease for such purposes is Standard Form No. 2, "Standard Form of Government Lease (Real Estate)".

C Proposals received from collecting officials for selling in place growing crops which have been abandoned may be authorized by the chief of the regional Loan and Collection section, with the approval of the regional attorney, if the conditions set forth in paragraph III C 3 of FSA Instruction 765 1 are met.

D The regional Loan and Collection section will receive copies of all caretaker's or custodial agreements, and other contracts entered into by the collecting official in caring for and disposing of the mortgaged property, and will authorize the storing of machinery, farm equipment, tools, harvested crops, and other chattels under a temporary custody agreement executed for the care of live stock, with the express provision that such property, other than livestock, will not be put to use by the caretaker, but will be held in storage only.

E The regional Loan and Collection section will assist the collecting official in disposing of the property in accordance with the regulations (Rev. 12-22-39).

F Foreclosure of property subject to a conditional sales contract will consist only of repossessing the property as complete satisfaction of the debt secured by the contract. Exceptions to this policy will be made only when the state law or the contract itself gives the vendor the right to a deficiency. No effort will be made to acquire a right to a deficiency by a separate instrument.

G Form FSA-LE 209, "Agreement for Voluntary Liquidation of Mortgaged Chattels", will be used only when it is necessary to give the Government some right not granted by a mortgage and necessary to facilitate foreclosure, or to correct defects in the mortgage. The regional attorney will be consulted as to the necessity for using this Form.

III REPOSSESSION OF SECURITY - SALE OF SECURITY UNDER MORTGAGE: The regional Loan and Collection section will receive copies of all forms executed by the collecting official in connection with private and public foreclosure and other liquidation sales (including copies of the notices, vouchers, copies of publications in which advertisements have been placed or in lieu thereof affidavits of publication and receipts for payment of advertising paid from the proceeds of sales) and review them in order to effect proper administrative control, and will provide necessary instructions (Rev 12-4-39)

IV REPOSSESSION OF SECURITY - FINAL ACTION:

A Form FSA-RR 168, "Report of Sale of Mortgaged Chattels", will be received in the regional Loan and Collection section in an original and two copies, with a copy of the bill or certificate of sale, and the usual number of copies of Standard Form No. 1044 if cash proceeds have been obtained from the sale. The regional Loan and Collection section will ascertain from Form FSA-RR 168 whether the proceeds from a public sale have been distributed in proper priority, whether the amount of the collecting official's bid was in accordance with his instructions, and whether title has been acquired by FSA or state RR corporation (Rev 12-4-39)

B Any charges for custody, care or storage of property, and conducting the sale, which are not paid out of the proceeds of the sale (because the mortgagee has bid in the property and no cash is available, or the proceeds are in the form of a check which the collecting official is not authorized to cash, or for any other reason) shall be paid (1) in the case of newspaper advertising by Standard Form No. 1054 and (2) in all other cases with Standard Form No. 1034 and the amounts thereof shall be charged to the client's account when legally permissible (Rev 12-4-39)

C The regional Loan and Collection section, upon receipt of Form FSA-RR 168 indicating that the FSA has acquired property by bidding in, will prepare Treasury Form A-26, "Advice of Mortgaged Chattels Acquired", in an original and four copies, showing the case number, name and address of the client from whom the property was repossessed, the amount of the bid, and a description of the property acquired. The original and two copies will be delivered to the regional FC manager for proper credit to the client's account, and a debit to the inventory account for acquired property. One copy will be receipted by the regional FC manager and returned to the regional Loan and Collection section. This receipted copy will be retained for a file of such documents to be maintained in sequence order by counties and states) by the regional Loan and Collection section as a record of property acquired through repossession, one copy will be sent to the collecting official, and one copy will be forwarded to the Client File station for filing in the client's case file.

D After preparation of Treasury Form A-26, all reports dealing with the property shall make reference to the serial number of the Treasury Form A-26 covering that property.

V CUSTODY AND DISPOSITION OF PROPERTY ACQUIRED BY THE FSA:

A Copies of care and custodial agreements prepared by the collecting official will be received in the same manner as for repossessed property held pending sale, and the regional Loan and Collection section will assist the collecting official in the disposition of acquired property by circulating lists, when advisable, to other collecting officials in the region and to other regional officers.

B The copies of Form FSA-RR 170, "Report of Inventory Transactions", received from the collecting official will be distributed by the regional Loan and Collection section as follows: Original and one copy to the regional FC manager; one copy to the Client File station; one copy to the regional custodian (if state RR corporation property); and one copy to be retained by the regional Loan and Collection section.

V (cont.)

C The regional Loan and Collection section will receive reports concerning depreciation of acquired property, and, with the approval of the assistant regional director in charge of RR and the regional office manager, will authorize its sale under the acquisition value, if such property is sold at the present fair market value.

D Cash sales of acquired property will be reported to the regional office on Form FSA-RR 171, "Invoice", submitted with the usual number of copies of Standard Form No. 1044, and a copy of Form FSA-LE 213A, "Bill of Sale - A".

E If the property is sold on credit to a client or applicant, the regional Loan and Collection section will receive, for approval, a loan docket prepared in accordance with paragraph VI G of FSA Instruction 765.1 and to be handled in the usual manner. The regional Loan and Collection section will notify the collecting official of the approval of the loan, and after delivery of the property to the client or applicant, will receive the note and securing instruments, together with the original two copies of Form FSA-RR 171, "Invoice", and a copy of Form FSA-LE 213A, "Bill of Sale - A". The original and one copy of Form FSA-RR 171, together with the original and one copy of the Loan Agreement and a copy of the note, will be transmitted to the regional FC manager. (Rev. 12-4-39)

F Upon review by the regional Loan and Collection section, the copy of Form FSA-RR 171 provided for the regional office and the copy of Form FSA-LE 213A will be forwarded to the Client File station.

VI BANKRUPTCY:

A **Preliminary Handling:** Upon receipt of notice that a client has filed a petition under the Bankruptcy Act, either for adjudication as a bankrupt, for a composition or extension, or for any other relief, or that he has executed a general assignment for creditors, or applied for the benefits of any state involuncy law, the regional Loan and Collection section will promptly refer the case to the regional attorney for further handling, and will request the regional FC manager, on Form FSA-RR 180, "Notice to Discontinue Billing", to discontinue billing the client until further notice (except as provided in paragraph VI C 2 below). After this time, no regional official of the FSA will take any action with respect to the case without the prior review and approval, or under the direction, of the regional attorney.

B **Notice of Adjudication.** When the regional director is notified by the regional attorney that a client has been adjudicated a bankrupt, he will certify that fact to the regional FC manager.

C **Discharge in Bankruptcy.**

1 A discharge in bankruptcy releases all the bankrupt's provable debts existing at the time of the filing of the petition. After a discharge, the Government will have only a priority claim against the general assets in the bankrupt's estate and a specific right against any property securing the Government's debts. Interest on all claims is computed only to the date of the filing of the petition in bankruptcy, after which interest stops running.

2 Debts owing by the bankrupt's spouse (for example, where the spouse is a cosigner of the note) are not released unless the spouse is also a bankrupt. If, in the opinion of the regional director and the regional attorney, it would be advisable to continue billing the spouse, notification to this effect should be made to the accounting office on Treasury Form A-29 which should contain a brief explanation of the circumstances and a request that the name of the obligor be changed to that of the spouse.

VI C (cont.)

3 After a client has been discharged in bankruptcy, the assets distributed and the estate closed, the regional director will request the regional FC manager to cancel the balance of the bankrupt's account as it existed on the date of the filing of the petition in bankruptcy. This request will take the form of a letter signed by the regional director and approved by the regional attorney, containing the following information: (a) A sufficient identification of the notes or obligations affected; (b) a statement that the notes or obligations were duly scheduled, in time for proof and allowance, as owing to the United States; (c) a statement that the debts on the notes or obligations described were discharged in the bankruptcy proceedings; (d) a statement that the Government has been accorded all appropriate priorities to which it is entitled; and (e) a statement that the estate has been closed and that all proceeds collectable from security, held by the United States on account of the notes or obligations of the clients, have been collected and applied against such notes or obligations. (Where the client signs a renewal note which revives his discharged obligations and where, on the basis of such renewal note, mortgaged property is allowed to remain in the client's possession, without foreclosure, after the property has been released by the trustee or equivalent officer, such facts will be explained in detail in lieu of the foregoing statement.)

D **Liquidation of Security - Application of Collections.** When a trustee in bankruptcy, or equivalent court officer, releases mortgaged property to the Government, as mortgagee, such property will, in the absence of some special reason, be foreclosed and sold as soon as possible in accordance with FSA Instruction 765.1, and the amount realized applied on the bankrupt's account. If the property is bid in by the Government, the amount of the sale price should be credited to the client's account and the property acquired should be reported to the Treasury on Treasury Form A-26. (Where a secured creditor, including the Government, forecloses on security, there is an exception to the rule that interest stops running on the claim on the date the petition in bankruptcy is filed. In such cases, if the property brings in more than the amount of the principal of the secured debt, the excess sale proceeds may be credited towards interest on that debt up to the time of the foreclosure. However, application must first be made to the principal debt.) Dividends received from the bankrupt estate at any stage of the proceedings, whether before or after the discharge in bankruptcy, should be applied to the client's account. Any collections received from a bankrupt estate after a renewal note is taken will be applied to the reduction of the renewal note.

E **Continuation of Bankrupt Clients as Clients.** In some cases, regional directors will find it desirable to continue bankrupt clients as borrowers and to permit the client to remain in possession of mortgaged property released by the officer in charge of the bankrupt estate. In cases deemed appropriate under FSA Instructions 763.1 and 764.1 and where such action will not prejudice the Government's claim against the general assets of the bankrupt's estate, the regional director, with the approval of the regional attorney, may accept renewal notes from the bankrupt and may permit such client to remain in possession of the mortgaged property. The note will be on Form FSA-LE 124, "Renewal Promissory Note", and will be for the full amount owing by the bankrupt at the time the renewal note is taken, including interest to date and any new loans that may be made. The renewal note should also be signed by the bankrupt's spouse even though such spouse is not affected by the discharge in bankruptcy. When the renewal note has been taken, the client will be the obligor under a new loan account (whether or not it is desired to change the number of the account), since the old obligation will be canceled by reason of the discharge in bankruptcy.

VI (cont.)

F **Resumption of Servicing of Account.** If and when a bankruptcy court releases security following a composition or extension, or if a period of legislative moratorium or exemption expires, leaving the way clear for collection from the client, or if the client has signed a renewal note which revives obligations discharged in bankruptcy, the regional Loan and Collection section, upon approval of the regional attorney, will resume the servicing of the account.

G **State RR Corporation and Trust Fund Clients.** The foregoing procedure applies to bankruptcies of clients indebted to managed state RR corporations and corporation trust funds, as well as to the FSA.

VII **COMPROMISES AND ADJUSTMENTS.** The regional director is authorized to approve compromises and adjustments as prescribed in paragraph X of FSA Instruction 765.1.

RR LOANS - COLLECTING OFFICE PROCEDURE - MISCELLANEOUS

I CHANGE OF ADDRESS AND MOVING SECURITY PROPERTY:A General.

1 Property serving as security for a loan should not be moved to a new location until an application to move the property has been submitted and approved. It is a breach of the mortgage to move the security property without permission. Application to move security property within the territory under the jurisdiction of the same collecting official may be approved by that collecting official. Applications to move property outside the jurisdiction of a collecting official must be approved by the regional office.

2 Where a client and security property are located in different jurisdictions, the responsibility for servicing the case will rest with the regional office and the collecting official for the locality in which the client resides. The responsibility for the supervision of the security property will rest with the regional office and collecting official for the territory in which the property is located, but no action for the release of such property will be taken until authorization is given by the regional office for the territory in which the client resides.

3 It will be the responsibility of the collecting officials for the area to which new security property has been moved to have the old security instruments immediately recorded or filed and to obtain, with the advice of the regional attorney, new and adequate security instruments, wherever necessary, for property located at either the new or old address. Where the move is to another farm in the same county, the collecting official will consult the regional office as to any requirements for refiling the mortgages or possible filing of a supplementary statement giving the present location of the property.

4 All funds collected from the client will be scheduled to the appropriate U. S. Treasury State Disbursing clerk for the region in which the funds are collected, regardless of where the obligations were contracted.

B Application to Move Security Property.

1 When a client contemplates moving security property to a new location, he will be requested to make application with the collecting official on Form FSA-RR 184, "Application to Move Security Property", (in three copies, for a move within the same region, or in four copies, for a move to another region). The collecting official will make an investigation to determine the advisability of the client's moving the security property to the new location and, if the move is within the territory under his jurisdiction, he will notify the client of his approval or disapproval by returning a signed copy of Form FSA-RR 184 to him. In the case of disapproval, he should state the reasons therefor on all copies of the Application. One copy will be forwarded to the regional office for its information, and the other copy will be retained by the collecting official.

2 If the move is to a territory not under the jurisdiction of the same collecting official, the collecting official will retain one copy of the Application and transmit the other copies to the regional office (for attention of the Loan and Collection section) for approval. Upon return of a copy of the Application from the regional office indicating approval or disapproval, the collecting official will transmit such copy to the client.

DISTRIBUTION: A, F and J.

I (cont.)

C Notification of Change of Address.

1 If a client has moved into the jurisdiction of a collecting official, an attempt will be made to get the old address, client number, and, if possible, a list of the security property which has been moved to the new location and that which was left at the old address, if any. Such information will be reported to the regional office on Form FSA-RR 138, "Change of Address", prepared in duplicate. The original will be forwarded to the regional office and the copy will be retained.

2 If the client is moving out of the jurisdiction of a collecting official, that official will attempt to get as complete information as possible regarding the new address of the client and information as to the location of any security property the client may have had. In this case, he will forward the collecting office file to the regional office with Form FSA-RR 138. If security property of the client remains in the territory from which he has moved, the collecting official will retain the security documents and will make two extra copies of each, to be forwarded with the collecting office file.

3 In the event an FSA client is reported to have moved into a territory under the jurisdiction of a collecting official, the latter will receive from his regional office a copy of Form FSA-RR 185, "Verification of Address". The collecting official will investigate and verify or correct the new address or, if not found, will so indicate. He will retain a copy of the Form and return the original to the regional office.

D Servicing in New Location.

1 After verification of the move of a client to the jurisdiction of a new collecting official, the latter will receive the former collecting official's client folder from the regional office with instructions as to the handling of security. He will have the securing instruments made effective as instructed and will undertake the servicing and be responsible for all further handling of the case, except for handling security at the old location.

E Case Numbers.

1 For changes of address between counties within the same state, the original client case number with the new prefix will be used, and for changes to other states within the same region or to a new region, a new client number and prefix will be assigned.

II AAA SET-OFFS:

A In cases where borrowers are indebted to the FSA and are due to receive payments from the AAA, such AAA payments may be scheduled to the FSA and applied against the borrowers' indebtedness under the circumstances set forth below.

B In no case should any field representative of the FSA communicate with any representative of the AAA with a view to securing a set-off or of withholding any check issued by the AAA. Contacts with the AAA in regard to set-offs will be handled by the Washington office of the FSA only.

C Set-offs will be made only in the following cases within the classifications of the Secretary's Order, Revised and Supplemented March 5, 1938. Requests for set-offs which may be justified for any reasons other than those shown below should not be submitted.

II C (cont.)

"(a.) The debtor has committed a fraud against the United States, or there is evidence establishing material misrepresentation of fact, in securing a loan from the United States, without which fraudulent act or material misrepresentation the loan would not have otherwise been made, or would have otherwise been made in a smaller amount.

"(b.) The debtor, subsequent to the making of a loan agreement, requests in writing that a payment or payments due him under any of the above cited Acts be applied in whole or in part in liquidation of his indebtedness.

"(c.) A person who is indebted to the FSA has failed to use the borrowed funds for purposes specified in the written loan agreement.

"(d.) A person who is indebted to the FSA has in bad faith disposed of property covered by a mortgage, deed of trust, or lien instrument given to secure the loan."

D Only accounts of clients indebted to the U. S. Government through an FSA loan will be set-off. This includes loans made by the FSA in completion of state RR corporation commitments, but does not include any loans owing to a trust fund.

E If the collecting official feels that a set-off should be secured under classifications (a), (c), and (d), he should forward his recommendations to the regional office for necessary handling.

F Procedure for Requests by Client under Classification (b).

1 Requests by the clients for set-offs should be obtained wherever possible provided all ordinary efforts toward collection have been exhausted. The collecting official should exercise discretion in encouraging such requests.

2 Form AAA 572, "Producer's Request for Set-off", should be prepared in four copies by the collecting official and signed by the client. Only the upper part of the Form should be filled in by the collecting official. The lower part of the Form providing for certification by the county committeeman will be filled in after the Form has been submitted to the AAA.

3 The Request should be made for the total amount due with interest to a specified date (not necessarily the date of the Request). The client is privileged to reduce the amount requested on Form AAA 572 in this case as the Request is entirely voluntary on his part. (This privilege does not extend to cases under classifications (a), (c), or (d) above.)

4 After the client has signed the Request, the collecting official will give one copy to the client, retain one copy for his records, and forward the original and one copy to the regional office (for attention of the Loan and Collection section).

G Upon notification that the set-off has been made, the regional office will prepare Form FSA-FI 37, Receipt, forward the original copy to the client as notification that a set-off has been made in the amount indicated, and distribute the other copies in accordance with regular procedure.

III ACCOUNTING DIFFERENCES:

A Any disputes or accounting differences arising in connection with loan accounts will be cleared by the collecting official through the regional office (Loan and Collection section) which will make all necessary reconciliations with the regional FC manager. (Rev. 7-25-59)

F When special statements are desired for any purpose, the collecting officials will request the regional office to secure them for him.

C In cases where the client has overpaid his account, he will receive a statement showing this fact. The client may write a letter asking for a refund and the collecting official will forward such a letter to the regional office. A Federal statute forbids any Government employee from assisting any claimant against the Government in prosecuting his claim. Therefore, the collecting official must NOT assist the client in preparing his claim for refund but should transmit any claim received to the regional office.

IV DEATH OF CLIENT:

A The collecting official, through the use of Form FSA-RR 141, "Report on Deceased Borrower", will notify the regional office (for attention of the Loan and Collection section) promptly upon learning of the death of a client. In the event of the death of the client where the surviving spouse or other heir has facilities adequate to continue the "Farm and Home Management Plan", consideration will be given to continuing the loan program to such surviving spouse or heir. If it is determined to transfer the loan or complete the loan commitment to the surviving spouse or heir, the regional office will be requested to advise concerning the proper documents to be executed.

F The collecting official will transmit promptly information with reference to court notices or public notices appearing in the press, having bearing upon administration of the estate of a deceased client.

V COMMUNITY SERVICE LOANS TO INDIVIDUALS: (Added 11-13-59)

A The collection and servicing of community service loans to individuals will be handled in the same manner as other RR loans to individuals.

E Transfer of Mortgaged Property.

1 In cases where a community service loan has been made to an individual (a master borrower) for the purchase of property and the terms and conditions of the loan have been violated, or where, for some other reason, it is deemed administratively desirable to effect a transfer of the property, the regional director or delegatee, with the consent of the borrower and with the advice and approval of the regional attorney, may approve the sale of the property to another low-income farmer or farmers, who will agree to pay the balance remaining unpaid on the loan and to use the property in accordance with terms and conditions which will be approved by the regional director.

2 The note and mortgage of the former borrower will be retained and such obligations will remain in effect until full payment of the loan is made. The new borrower or borrowers will execute a note, or notes, for the unpaid balance of the loan, a mortgage on the property purchased, and an agreement to assume the debt and other obligations; and the old borrower will execute an acknowledgment of continued liability, all on special forms approved by the Solicitor. (The new mortgage may be on the Standard Form now in general use.) If there are any junior liens on the property to be sold, the junior mortgagees must give their written consent to the sale, and a careful lien search should, therefore, be made in each case.

3 In a case where the former borrower has violated the terms and conditions of the loan and will not consent to the voluntary transfer of the property, foreclosure proceedings will be instituted in accordance with applicable provisions of instructions under classification series 735.

RR LOAN - REGIONAL OFFICE COLLECTION PROCEDURE - MISCELLANEOUS

I CHANGE OF ADDRESS:

A Application to Move Security Property.

1 If the client contemplates moving security property to a new location within the jurisdiction of the same collecting official, one copy of Form FSA-RR 184, "Application to Move Security Property", will be received by the regional Loan and Collection section for its information and for the correction of the files and records.

2 If the client moves to a location not under the jurisdiction of the same collecting official, the regional Loan and Collection section will receive from the collecting official two copies of Form FSA-RR 184 if the move is within the same region, or three copies of Form FSA-RR 184 if the move is to another region. The regional Loan and Collection section, upon consultation with the regional Farm Management adviser and the regional attorney, will ascertain whether the move is in the best interests of the client, the FSA and/or the state RR corporation; will indicate its approval or disapproval on a copy of the Form to be returned to the collecting official from whom it was received; and make appropriate notation on Form FSA-RR 142, "Servicing History", for action taken.

B Notification and Verification of Change of Address.

1 The regional Loan and Collection section will receive an original of Form FSA-RR 128, "Change of Address", from the collecting official when he has found that a client has moved within, into, or from his jurisdiction. The Client File station or other part of the regional office will, when changes of address are noted, prepare Form FSA-RR 128 in an original only, and forward it to the regional Loan and Collection section, which will make inquiry of the collecting official on Form FSA-RR 124, "Report". Changes other than those within the same jurisdiction will be verified and regional and collecting office client files will be transferred as described below. Where necessary, instructions will be given with regard to the loan security affected.

2 When the regional Loan and Collection section receives the original of Form FSA-RR 128 from the collecting official into whose jurisdiction a client has moved, a memorandum will be prepared and forwarded to the collecting official from whose jurisdiction the client has moved (for moves within the same region) or to such other regional Loan and Collection section as may be concerned (for moves from another region). Such memorandum will contain information received with Form FSA-RR 128, regarding security property moved from and/or left at the old location, and will request transmittal of the client's case file for servicing at the new location.

3 When the regional Loan and Collection section receives the original of Form FSA-RR 128 from the collecting official from whose jurisdiction a client has moved, Form FSA-RR 185, "Verification of Address", will be prepared (in an original and two copies, for moves within the same region, or in an original and three copies, for moves into another region), one copy will be retained, and the original and other copies will be forwarded to the collecting official into whose jurisdiction the client has moved (for moves within the same region), or to such other regional Loan and Collection section as may be concerned (for moves into another region).

 DISTRIBUTION: A.

 Rehabilitation
 Collection
 Miscellaneous

I B (cont)

4 When the original and two copies of Form FSA-RR 185 are received in a regional Loan and Collection section into whose jurisdiction the client has moved, the regional office records will be checked, the original and one copy of the Form will be forwarded to the collecting official into whose jurisdiction the client is believed to have moved, and one copy will be retained. Upon return of the original of Form FSA-RR 185 from the collecting official, the new case number will be assigned as provided under "case number" and noted thereon, and it will be returned to the regional Loan and Collection section from which it was received.

C Correction of Records and Transfer of Case.

1 Upon receipt of Form FSA-RR 138 and Verification, if necessary, covering a change of address within the same jurisdiction, or upon return of Form FSA-RR 185, verified by the collecting official, covering a change between jurisdictions within the same state, the regional Loan and Collection section will: (a) For changes within the same county, notify the regional FC manager by forwarding a copy of Form FSA-RR 138; or (b) for changes between counties within the same state, prepare Treasury Form A-29, "Advice of Borrower's Change in Address", in an original and three copies for an FSA or state RR corporation case, or in an original and six copies for an FSA and state RR corporation case. For an FSA or state RR corporation case, one copy of Treasury Form A-29 will be retained, and the original and two copies will be forwarded to the regional FC manager. For an FSA and state RR corporation case, one copy of Treasury Form A-29 will be retained, and the original and five copies will be forwarded to the regional FC manager. (Rev. 10-10-39)

2 Upon return of Form FSA-RR 185, verified by the collecting official, covering a change of address between states of the same region or between regions, the originating regional Loan and Collection section will prepare Treasury Form A-29 in an original and five copies for an FSA or state RR corporation case, or in an original and ten copies for an FSA and state RR corporation case. For an FSA or state RR corporation case, one copy will be retained, and the original and four copies will be forwarded to the regional FC manager. For an FSA and state RR corporation case, one copy will be retained, and the original and nine copies will be forwarded to the regional FC manager. The regional FC manager will complete Treasury Form A-29 and return two copies to the regional Loan and Collection section.

3 Upon receipt of two copies of Treasury Form A-29 from the regional FC manager, the regional Loan and Collection section will: (a) For a move between jurisdictions within the same region, transmit the collecting office case file and a copy of Treasury Form A-29 to the collecting official at the new location; or (b) for a move between regions, prepare a letter of transmittal and forward by registered mail a copy of Treasury Form A-29, the collecting office case file, the regional office case file, security instruments for mortgage property moved to the new location, and the client's (Form FSA-Gen 131 and Form FSA-RR 142) Kardex records. For transfers between regions, the letter of transmittal will contain a complete description of all documents so transmitted, and will be forwarded in an extra copy to be checked by the other regional Loan and Collection section, receipted, and returned as an acknowledgement. For state RR corporation cases, the originals of the security instruments, notes, Loan Agreement (if any), and Form FSA-RR 185 will be retained in the region from which the client has moved, and copies of those documents will be transmitted to the new region with the regional office case file. The official accounting records for such cases will continue to be maintained by the regional FC manager for the region in which the case originated; memorandum accounting records, however, will be simultaneously maintained by the regional FC manager for the region to which a borrower has moved. For cases which are both FSA and state RR corporation cases, the above documents for the state RR corporation phases will be retained as provided above.

I C (cont.)

4 The Loan and Collection section for the region to which a case is transferred, upon receipt of the transmittal of files, records, and security instruments, will: (a) Install the client's records in the Kardex; (b) consult the regional attorney with regard to the filing of adequate loan security instruments in the new jurisdiction; and (c) forward the collecting office case file and a copy of Treasury Form A-29 to the new collecting official and instruct him with regard to special handling.

D Case Numbers.

1 If the new address is in the same county, no change will be required in the client's case number or prefix, or on Form FSA-BM 159, "Client Register", maintained by the Client File station.

2 If the new address is in a different county within the same state, the client's case number (with the exception of the prefix) will not be changed. The Client File station will make the necessary changes on Form FSA-BM 159.

3 If the new address is in a different state within the same region, the client's case number will be changed, the Client File station will make an entry on Form FSA-BM 159 for the state to which the client has moved, and appropriate notation will be made on Form FSA-BM 156, "Folder Out Card", for the state from which the client has moved.

4 If the new address is in a different region, a new case number will be assigned by the region into which the client moves and entered on Form FSA-RR 185. The new number will be noted on Form FSA-BM 156, and also on the next open line below the client's entry on Form FSA-BM 159 maintained by the Client File station in the region from which the case is transferred.

E Supervision of Security Property Not Located in Jurisdiction with Client.

1 The regional office will instruct the collecting official, for the location in which the client resides, with respect to the servicing of security cases, and will receive from him reports pertaining to the care, custody, and disposition of security property.

2 No actions for release of property remaining at the location from which the client has moved will be taken, except upon approval of the regional director or his delegatee in the respective offices.

3 Regional Loan and Collection sections will be responsible for coordinating the efforts of the regional offices and field personnel for the proper servicing of an account regardless of the location of the client or the property.

F **Depositing Funds.** The funds collected from the client in repayment of obligations due the FSA or state RR corporations will be scheduled to the appropriate U. S. Treasury State **Disbursing** clerk for the region in which the funds are collected regardless of where the obligations were contracted. Funds properly transferable to a corporation trust fund will be transferred from the Special Deposits account of the U. S. Treasury State Disbursing clerk for the region in which it was collected, to the proper trust fund receipt account.

II AAA SET-OFFS:

A Requests for AAA set-offs under classifications (a), (c), and (d) of the Secretary's Order (see paragraph II of FSA Instruction 766.1) will be prepared by the regional Loan and Collection section for transmittal to Washington upon receipt of proper information from the **collecting office**. Clients' voluntary requests for AAA set-offs submitted on Form AAA-372 under classification (b) of the Secretary's Order will be received in the regional Loan and Collection section and forwarded to the appropriate AAA office in accordance with the procedure outlined below.

B Preparation of Requests in Regional Office.

1 All requests for set-offs, except voluntary requests by the client (Form AAA-372), will be prepared in the regional office on the following Forms:

Classification (a) - Form AAA-371

Classification (c) - Form AAA-373

Classification (d) - Form AAA-374

These requests will be prepared for submission in an original and two copies to **the Washington office; extra copies to be prepared for the regional files, if desired.**

2 The requests, when forwarded to Washington, will be accompanied by a single copy of a statement of the account and by a single copy of a statement of facts giving complete justification for placing the request in its respective classification.

3 The date of the request will be inserted in the upper part of each request form below the title. This date will be the date to which interest has been computed as provided in paragraph II B 5 hereof.

4 In Section I of the request form, following item (4), "Description of Loan", the FSA case number will be inserted.

5 The amount of the request for set-off (item (5) of the request form), will be the total amount of the indebtedness including interest to the date of the request.

6 The original and two copies of the request will be forwarded to the Director of the RR Division, Washington, D. C., with the second carbon copy signed in the lower left corner (not on the printed signature line) by the regional director or one to whom such authority has been specifically delegated.

7 Regional offices will be notified of the approval of the request by the Director of the RR Division in Washington by receipt of a signed copy of the request form.

C Clients' voluntary requests for set-offs will be received on Form AAA-372, "Producer's Request for Set-Off", in an original and one copy from the collecting official. The regional loan and Collection section, after reviewing each request, will detach one copy for filing in the client's file folder and will forward the original copy directly to the applicable estate office of the Agricultural Adjustment Administration, except that for clients in Regions I and IV the request will be submitted to the Examining Section, Agricultural Adjustment Administration, Washington, D. C.

II (cont.)

D **Clearance through Kardex.** Requests for set-off will be referred to the Client Record unit for setting of the appropriate signal and recording of information on Form FSA-RR 142.

E **Handling of Set-off after Approval.**

1 The regional office will be notified of the approval of set-offs by the receipt of a paid copy of Standard Form No. 1096, "Schedule of Voucher Deductions", from the U. S. Treasury Regional Disbursing officer for the appropriate AAA region.

2 The copy of Standard Form No. 1096 received in the regional office will be routed through the office of the regional FC manager for examination, in order that all such set-offs may be reported on the Daily Registers of Collections submitted to Washington by the regional FC manager.

3 The copy of Standard Form No. 1096 will be forwarded by the regional FC manager, to the regional Loan and Collection section where Form FSA-FI 37, Receipt, will be prepared, bearing the same date as Standard Form No. 1096. The original copy will be forwarded to the client as notification that a set-off has been made in the amount indicated, and the other copies will be distributed in accordance with the regular procedure. The copy of Standard Form No. 1096, together with the appropriate copy of Form FSA-FI 37, will be sent to the regional FC manager.

III **ACCOUNTING DIFFERENCES:**

A Any disputes or accounting differences arising in connection with RF loan accounts will be cleared by the collecting official through the regional Loan and Collection section, which will make necessary reconciliations with the regional FC manager.

B When special statements are desired for any purpose, the regional Loan and Collection section will request them through the use of Treasury Form A-30, "Request for Statement of Account".

C **Overpayments and Refunds.**

1 The regional FC manager upon determining that a client has made an overpayment on an account and is not indebted under any other account, will prepare a detailed bill or statement reflecting the overpayment. He will insert thereon a certification to the effect that the amount is in excess and that there is no other account against which it may be applied, and will then forward the bill to the regional Loan and Collection section. The regional Loan and Collection section will examine the bill or statement and files, and will ascertain that all proper charges have been billed, that all such charges have been paid, and that the client is not indebted under any other account with which the FSA is concerned.

2 If it is determined that the client is indebted on some other account, notification of such fact, together with complete information in regard to the amounts due, will be forwarded to the regional FC manager who will then prepare the necessary documents for the transfer of credit.

3 For all amounts of one dollar (\$1.00) or over, when it is determined that no amount is due, the statement, with indication that the refund is approved by the regional Loan and Collection section, should be returned to the regional FC manager for preparation of the refund Voucher, Standard Form No. 1047, "Public Voucher for Refunds". It will not be necessary to support this refund with a claim from the client. If the item for refund is less than one dollar (\$1.00), it

III C 3 (cont.)

will be transferred to the trust fund receipt account #888.1, "Deposits of Unclaimed Moneys of Individuals whose Whereabouts are Unknown", by means of Standard Form No. 1046, "Schedule of Transfers - Special Deposits", prepared by the regional FC manager.

4 Any balance remaining after credit has been applied to another account will be refunded to the client as shown above.

IV ADJUSTMENT OF BOOK VALUES OF STATE RR CORPORATION TRUST FUND AND MANAGED CORPORATION ACCOUNTS:

A The book values of state RR corporation trust fund and managed corporation accounts are subject to adjustment when they come within the following classifications:

1 The accounts of clients who have died without assets or whose estates have been finally distributed.

2 The accounts of clients who have moved and cannot be located.

3 Accounts which are long past due and where the clients are without assets or without facilities for accumulating assets.

4 Accounts which do not represent loans in fact. (This includes those cases where money was advanced by the state RR corporation with the understanding that repayment would not be required or expected.)

The first three classifications above apply to loans made either prior to, or subsequent to, the state RR corporation transfer in trust, whereas the fourth classification applies only to loans made prior to such transfer.

B Responsibility for handling the various phases of adjustments will be as follows:

1 The regional FC manager will handle all accounting phases of the adjustment of the book values when the extent of such adjustment has been determined by the regional Loan and Collection section.

2 The regional Loan and Collection section will receive all correspondence and forms from collecting officials pertaining to the adjustment of accounts, and it will be its responsibility, within the limitation of the provisions contained herein, to determine whether the client should be billed further, whether further servicing action is advisable and whether the client's account should be adjusted on the state RR corporation books by a reduction of the values.

3 Cases involving representations made at the time the loans were made, and which cause some doubt as to the collectability of the obligations will be submitted by the regional Loan and Collection section to the regional director for approval. The regional director will be guided in his decision by the recommendations of his technical assistants and the regional attorney.

4 Recommendations of the collecting official for adjustment of state RR corporation accounts under one hundred dollars (\$100) (when approved by the district RR supervisor) will receive favorable action by the regional Loan and Collection section unless there are definite and obvious reasons to the contrary.

IV (cont.)

C Routine.

1 Upon determination by the regional Loan and Collection section, from facts presented that an individual client's account should be reduced in book values, the following stamp will be placed on the form or letter, filled in as to amounts and signed by the chief of the regional Loan and Collection section, or his delegatee:

"The circumstances of this account have been reviewed by the undersigned and it has been found to be subject to adjustment. Therefore, the amount of the account which is \$_____ is hereby reduced in book value, for accounting purposes, to \$_____

(Signed) _____
Regional Loan and Collection Section"

2 Except where actions are handled on a summarized basis as provided below, the regional Loan and Collection section will: (a) Prepare an individual Form FSA-FC 53, for each case, in an original and three copies; (b) secure a state serial number from the regional Mail and Files section, and show it on all copies; (c) clear one copy through the Client Record unit (for setting of the appropriate signal and making of notations, including the amount of proposed reduction, on Form FSA-RR 142, in anticipation of certification by the regional FC manager) and file it in serial sequence in the regional Loan and Collection section; and (d) immediately process the original and two copies for final approval by the regional director or his delegatee, and forward them to the regional FC manager. When the approved reduction has been entered into the books of account, the regional FC manager will rubber-stamp "Posted" on each copy of Form FSA-FC 53, and distribute them as follows: One copy to the Budget and Trust Section of the FC Division in Washington, D. C. (for post-audit); one copy to the Client File station (through the Client Record unit of the regional Loan and Collection section, only where corrections or changes have been made by the regional FC manager) for filing in the client's file folder; and the original retained in the office of the regional FC manager. (Rev. 12-22-39)

3 If the case volume warrants, the fiscal part of the adjustment actions may be processed on a summarized basis, whereby the regional director or his delegatee will be required to approve only a single summarized Form FSA-FC 53 for all items covered by the summary. In this event, the regional Loan and Collection section will: (a) Prepare individual Form FSA-FC 53, Applications, in only an original and two copies; (b) secure the state serial numbers; (c) clear one copy of each through the Client Record unit and file it in serial sequence in the regional Loan and Collection section; and (d) withhold the original and one copy from final processing and temporarily accumulate them in the regional Loan and Collection section. At the end of the day, or of a period not to exceed one week, the regional Loan and Collection section will: (e) Prepare a summarized Form FSA-FC 53, covering and tabulating the accumulated individual Applications, in an original and three copies; (f) indicate the serial numbers of the individual Applications to be covered; (g) attach the set of originals and one set of copies of the individual Applications to the original and one copy of the summarized Form FSA-FC 53, respectively; (h) process the original and one copy of the summary, with attachments, and another copy, without attachments, for approval and forwarding to the regional FC manager; and (i) file one copy of the summary in the regional Loan and Collection section. Upon entry of the approved reductions to the books of account, the regional FC manager will rubber-stamp "Posted" on the copies of the summary only, and distribute them as follows: One copy (without attachments) to the Budget and Trust Section of the FC Division in Washington, D. C. (for post-audit); one copy (with attachments) to the Client File station (through the Client Record unit of the regional Loan and Collection section, only

IV C 3 (cont)

where corrections or changes have been made by the regional FC manager) for filing of the individual Applications in the clients' file folders, and the summary in a separate file folder for that purpose; and the original (with attachments) retained in the office of the regional FC manager. (Rev 12-22-39)

4 In all cases where the assets have been reduced, billing will be discontinued by the regional FC manager to the extent indicated by the regional Loan and Collection section on Form FSA FC 53

5 The adjustment of book values should not be construed to mean that the account is satisfied. The regional Loan and Collection section will notify the collecting official of the action taken in connection with any recommendation submitted by him, and will not be relieved of its responsibility to service the account wherever possible and to obtain all collections possible. No notification should be made to the client that an adjustment in book value has been made.

6 If the client makes payment on an account which has been reduced, or if other circumstances arise which justify the reestablishment of the account, the account should be reestablished.

V DEATH OF CLIENT:

A Upon receipt of Form FSA-RR 141, "Report on Deceased Borrower", the regional Loan and Collection section will note the name of the administrator or executor on Form FSA-RR 142, "Servicing History", and in the docket and collection files, and will, by means of Treasury Form A-29, "Advice of Borrower's Change in Address", send the same information to the regional FC manager. In the event the account is transferred to a surviving spouse or heir, the name and address will be provided.

B In the event of the death of the client's wife, Form FSA-RR 141 need not be prepared if the security (other than such doubtful security as may have existed by reason of her cosignature of the note) does not thereupon become impaired; Form FSA-RR 134, "Report", may be used in lieu thereof. If, however, the regional office should, for such cases, desire the additional information provided by Form FSA-RR 141, the collecting official may be requested to execute this Form. The regional Loan and Collection section should notify the regional chief of Home Management upon receipt of information of the wife's death.

C With the approval of the regional attorney, the chief of the regional Loan and Collection section is authorized to take all action necessary or appropriate in order to establish the Government's claim against the estates of deceased clients and to continue the obligations of decedents with their surviving relatives. Every death case should be transmitted to the regional attorney as soon as possible after notice is received. The regional attorney will be asked to determine what steps should be taken to protect property mortgaged to the Government, to collect the debt or to carry out any other administrative recommendation.

D If the client dies in the middle of a crop year, the first concern should be to have growing crops cultivated and harvested and other property cared for. If this task is not already undertaken by surviving members of the decedent's family, temporary arrangements for cultivation and harvesting should be made with some third person, adopting as nearly as possible the procedure for growing crops contained in paragraph III C of FSA Instruction 765.1. Specific instructions for each case will be issued by the chief of the regional Loan and Collection section with the approval of the regional attorney

V (cont.)

E The decision as to whether a decedent's debts should be liquidated or whether some surviving member of the decedent's family should be retained on the rolls to carry on the farm plan, will depend upon whether such survivor is eligible to be a client and is apparently able to carry out a farm plan that will probably succeed in effecting the rehabilitation of the family. If continuing the loan would result in dissipation of the assets available for loan collections, in probate proceedings or through collection by subsequent creditors or through some other means, then liquidation of the decedent's obligation should be required. In all cases the decedent's notes and mortgages will be retained and the obligations of the decedent's estate remain in effect, but if a loan is "continued" with a survivor, such survivor will be required to sign a separate note for the amount of the decedent's debt, unless the survivor is already a cosigner of the decedent's note, as in the case of a spouse.

F If the decedent leaves a will which is probated, or if creditors other than the Government institute administration proceedings or take any other steps to collect from the estate, the Government's claim against the estate will be pressed according to procedure recommended by the regional attorney.

G If a loan is continued and the survivor is a cosigner of the decedent's note, the case number should remain the same. If the survivor is not a cosigner and signs a separate note, a new case number will be assigned to him.

VI **COOPERATIVE LOANS TO INDIVIDUALS:** The collection and servicing of cooperative loans to individuals will be handled in the same manner as other RR loans to individuals.

VII **COOPERATIVE LOANS TO ASSOCIATIONS:**

A **General.** The regional cooperative adviser will be generally responsible for the collection and servicing of RR cooperative loans to associations as prescribed herein. This responsibility in any part thereof may be delegated by the regional director to some other qualified official. The regional Loan and Collection section will handle such routine functions in connection with cooperative loans as may be assigned by the regional director.

B **Accounting Systems.** The regional director will make a determination as to the adequacy of the systems of accounts maintained by the associations, and where such systems are deemed inadequate, will arrange with the associations for the adoption, installation, and maintenance of satisfactory accounting systems. For such purpose the recommendations and assistance of the regional FC manager will be obtained, unless the regional director deems it advisable to utilize other competent accounting service which may be available without cost to the FSA.

C **Billing.** Bills and statements of account will be prepared by the regional FC manager thirty days before any instalment or interest payments are due. Bills thus prepared will be forwarded to the regional Loan and Collection section for appropriate disposition; the chief of the regional Loan and Collection section will notify the regional cooperative adviser of a forthcoming maturity by sending him the original of the bill; and the regional cooperative adviser may forward this bill to the association, or he may notify the association by letter of the amount of the principal and interest due.

D **Kardex.** Upon receipt of the bill in the regional Loan and Collection section, a signal will be set in the 12th position on the servicing record to denote "Special Handling", and a follow up

VII D (cont.)

signal will be set for fifteen days beyond the due date of the repayment. If at the expiration of this fifteen-day period payment has not been made, the chief of the regional Loan and Collection section will notify the regional cooperative adviser.

E Reports by Associations

1 The regional cooperative adviser will obtain and review such financial reports from associations as are required by the respective Loan Agreements, and also any special reports which may be requested from time to time, by the Administrator or the regional director. One copy of all such reports will be forwarded to Washington, D. C., for the RR Division.

2 The regional director will approve the form of financial and other reports which will be submitted by the associations pursuant to the respective Loan Agreements. Form FSA-RR 120, "Financial Report for Cooperative Activities", may be used for this purpose if this is believed to be adequate by the regional director, or some other form may be prescribed by him provided such report includes a complete profit and loss statement for the period covered by the report and a complete balance sheet statement as of the close of the report period.

F Reports by the Regional FC Manager Monthly reports of the amounts of loans, maturities, repayments, outstanding balances, and other pertinent accounting information for cooperative association loans will be provided by the regional FC manager, and will be submitted to the chief of the regional Loan and Collection section.

G Contracting of Additional Liabilities by Associations. Where an association agrees, by the terms of its Loan Agreement with the Government, neither to borrow funds nor contract liabilities without the written approval of the Secretary, Administrator, or Government, the regional director shall have the authority to grant such approval provided he determines such action to be necessary for the proper functioning of the association, and that the security position of the Government will not be seriously impaired thereby. A report of any such approval given by the regional director will be submitted to Washington, D. C., for the RR Division.

H Handling of Delinquencies

1 In the event of non payment of any instalment of principal or interest, the chief of the regional Loan and Collection section will notify the regional cooperative adviser and confer with him on the proper course to pursue.

2 A report will be made to the Washington office of any delinquency of 30 days; of any breach by an association of its obligations to the Government, as set forth in the Loan Agreement, Note, security instruments, or any other instruments or documents constituting an obligation on the part of the association; or of any condition in the affairs of an association adversely affecting the interests of the Government or execution of the association program. Such reports should contain information as to the action which has been taken by the regional director, where such action comes within the scope of his authorized functions; or a specific recommendation as to the action which should be taken, where such action requires authorization by the Washington office.

I Correspondence. Correspondence in connection with the servicing of loans to cooperative associations will be handled by the regional cooperative adviser. He may request from the regional Loan and Collection section such assistance as may be necessary in the handling of routine correspondence.

VII (cont.)

J Forbearances. Where justified by an emergency or temporary condition, the regional cooperative adviser may recommend, and the regional director may grant, forbearances for a period not to exceed 90 days beyond the due date of a principal or interest instalment. Any forbearance for a period in excess of 90 days beyond the due date must be submitted to the Washington office for approval.

K Renewals. The renewal of any note evidencing a loan to an association shall be referred to the Washington office for action. Any case of default in which the regional director believes that renewal is the proper action should be reported to the Washington office with a specific recommendation as to the terms of renewal and a complete justification of the recommendation including at least the information outlined in paragraph VII N below.

L Releases. The regional cooperative adviser may recommend, and the regional director may approve, the release of security held by the Government to the extent that such release is deemed necessary, in order that the association may function properly and carry out its normal operations, provided that any such release will not seriously impair the security held by the Government. If the release would seriously impair the security held by the Government or if the regional director is uncertain as to the advisability of the release, the case should be referred to the Washington office with a complete statement of facts and recommendations.

M Liquidation Actions.

1 Repossessions, foreclosures, and other actions of any kind leading to the liquidation of the assets of an association will be taken only after approval by the Washington office. The regional director will carefully investigate conditions which indicate a necessity for taking possession of mortgaged property and will make every proper effort to enable the association to continue, if in his judgment such is advisable. Consideration will be given to the factors outlined in paragraph I B of FSA Instruction 765.1 as far as they are applicable to cooperative associations.

2 Recommendations for liquidation action, accompanied by complete justification and full information as outlined in paragraph VII N below, will be forwarded by the regional director to the Washington office. There should also be included a statement of the disposition expected to be made of the property in the event the recommended liquidation action is approved.

3 The procedure for repossession and disposal of repossessed property will be in accordance with the applicable provisions of FSA Instruction 765.1.

N Information to Accompany Recommendations to the Administrator. Any recommendation to the Washington office for renewal or liquidation action referred to in paragraphs VII L and VII M above will be accompanied by full justification and information including the following:

1 A statement describing the cause and extent of the association's delinquency or other breach of its obligations.

2 A financial report showing the current balance sheet position of the association and a profit and loss statement which will reflect the current trend of the association's operations.

3 A detailed statement of account prepared by the regional FC manager, showing the amounts of advances, the dates and amounts of the instalments which have become due, dates and amounts of repayments, and the amounts of delinquencies itemized as to interest and principal.

VII N (cont.)

4 An opinion from the regional attorney with respect to the questions of law involved in the recommended action.

0 **Clearance of Legal Questions.** Any questions of law in connection with the collection and servicing of cooperative loans to associations will be referred to the regional attorney for advice or approval.